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Summer 1983

Arms and the Art of Compromise

A collision between American and Soviet policy is imminent.

Equally committed to new deployment of nuclear weapons, Washington and Moscow are about to take actions with broad and irreversible consequences. Though the outlines of a compromise are visible, negotiations are not producing a desirable outcome.

The issue stands unavoidably before President Reagan and Chairman Andropov. It is they who must lead their countries into accommodation.

— John Steinbruner

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Perspectives

The Uses and Limitations of Food Power

F.H. Sanderson

"Food power is greater than petro-power." This is the way it was put by Earl Butz, secretary of agriculture in the Nixon and Ford administrations.

Butz is not alone in the belief that our dominant position in the world grain market provides us with a powerful foreign policy tool if we decide to use it. Officials of his and two other administrations have had a similar view.

Former Secretary of State Henry Kissinger tried to use the leverage of access to grain on several occasions to induce acceptable Soviet behavior. Former Secretary of Agriculture Bob S. Bergland said that "President Carter showed us that the corn kernel and the soybean can be as effective as bullets" in stopping aggression. And John Block endorsed the notion of "food as a weapon" before he took office. Henry Kissinger asserts in his memoirs that in 1972-73 "the Soviets quite literally had no other choice than to buy our grain or face mass starvation." In his concept of "linkage," access to our grain market could be used as a stick or a carrot to induce acceptable Soviet behavior. He tried to use this leverage on several occasions (the Viet Nam peace negotiations, the Middle East disengagement and peace negotiations, the "grain for oil" barter negotiations, and the Angolan civil war).

On the basis of an alleged "cooling trend" in the world's climate, and a Malthusian view of world food supplies, the CIA concluded in 1974 that our food abundance might enable us to regain the primacy in world affairs which we enjoyed at the close of World War II when we had a monopoly of nuclear weapons.

Experience with these foreign pol-

icy tools has been generally disappointing. The reasons are not hard to find.

Take the case of the Soviet grain embargo. I don't think there is any subject on which there has been more muddled thinking. A trade embargo is an act of economic warfare. It is not without cost to the U.S. economy and, especially, to American producers. (This also applies to industrial embargoes such as the one imposed on Caterpillar tractors and pipe-laying equipment.) Before such actions are initiated, one would expect, at a minimum: a clear and convincing definition of the objective; assurance that U.S. action would not be nullified by alternative suppliers; a realistic assessment of one's staying power; and a realistic assessment of the impact on the adversary. How vulnerable is he? What adjustments can he make? Will he be worse off or better off after all is said and done?

The Carter grain embargo was wanting on every count. So was our earlier policy of denying export licenses in the 1950s and '60s.

In the earlier period, the ostensible objective was to slow down the Soviet Union's industrial development and arms buildup. Denying them food imports would force the Soviets to shift more of their domestic resources to agriculture. But it can also be argued that the denial of food imports is more likely to *strengthen* the Soviets since scarce foreign exchange that would have been spent for food could now be spent on high-technology imports, and that the denial of grain imports will force the Soviets to take long-overdue measures to conserve grain by raising the prices of livestock products and by increasing feeding

efficiencies. Thus continued Soviet dependence on food imports may actually serve American strategic purposes.

Since the 1960s, our focus has shifted toward moderating the Soviets' international conduct. At least I believe this is the underlying purpose of actions that are publicly justified in moralistic terms such as "punishing" the Soviets for the invasion of Afghanistan and for their interference in Polish affairs, "imposing a cost" for such transgressions, or, more vaguely, sending them a "message" or a "signal."

Containment of Soviet imperialism is a valid objective but denial of food imports is a singularly ineffective tool, for a number of reasons.

Experience has shown that it is virtually impossible to organize and hold together an effective international grain embargo. The Carter embargo was flawed from the start by Argentina's refusal to cooperate; by the reluctance of all exporters, including the United States, to go back on existing commitments or historical export levels; and by the exclusion from the embargo of Soviet allies who, in a pinch, could be counted on to ship some of their own grain to the Soviet Union. Clearly, an effective embargo also would require the cooperation of major grain-importing countries.

In addition, the failure of the Carter embargo—and of earlier trade sanctions—has sharpened the opposition of American farmers to embargoes. This opposition, and the farmers' proven ability to extract generous compensation for real or alleged losses incurred from embargoes, constitutes a strong deterrent to the future use of this particular foreign policy tool.

But let us assume, for the sake of

the argument, that we will do better next time and succeed in putting together an effective international grain embargo. How vulnerable is the Soviet Union to a complete cut-off of grain imports?

Anyone who has bothered to look at the Soviet food balance knows that such a cut-off could not possibly cause starvation, or even significantly affect Soviet nutritional standards, which are more than adequate. The most one could hope for is a significant reduction in the supplies of livestock products. This, indeed, was the declared objective of the Carter embargo. Meat already is in short supply in the Soviet Union, so the argument went; the Soviet leadership has staked its prestige on improving meat supplies; an acute meat shortage will give rise to popular unrest and threaten domestic stability. (The Polish experience seemed to support this thesis.)

I believe this reasoning overestimates both the economic and the political impact of a successful grain embargo.

Even the record Soviet net grain imports of around 43 million tons in 1981-82 accounted for only about 12 percent of the total feed supply (including roots, tubers, and forage). The effect on livestock production of a loss of this magnitude could be staggered over a period of years or until grain supplies were replenished by an above-average harvest. One option would be to increase slaughter rates, thus actually increasing the meat supply temporarily.

But the Soviet strategy seems to have been to maintain cattle inventories for a future recovery of feed supplies and to save grain mainly by cutting down on feeding rates and slaughter weights. Grain has also been saved by feeding more of it to poultry, which is a more efficient converter than beef cattle. Meat imports were increased. At the low feed-conversion rates prevalent in the Soviet Union, every million tons of meat imports saves 10 million tons of grain. There is more room for adjusting to a grain shortage than is generally assumed.

There is one year in which this thesis can be tested. In 1975-76, grain feeding actually did decline by 18 million tons because increased grain imports made up for less than

half of the crop shortfall. The livestock inventory dropped by 3.6 percent, in terms of animal units. Meat production dropped by 9 percent in that year, with almost all of the decline accounted for by pork. Milk production dropped by 1 percent. Full recovery took about a year. Increased meat imports contributed the equivalent of about 12 million tons of grain. Per capita meat consumption dropped by only 2 percent, dairy consumption not at all.

If this is multiplied by three to reflect the loss of 40 million tons of imported grain, the drop in meat consumption is still not more than 6 percent—about what the American consumer experienced twice in the 1970s. I find it difficult to believe that this would cause food riots in the Soviet Union.

Our agricultural abundance *can* be used to further broad international objectives.

If denying grain is no great threat, offering it cannot be much of a carrot. Either way, the foreign policy impact is minimal and largely atmospheric. Good trade relations *can* contribute to an improved climate in foreign relations; embargoes can sour it. But let's not fool ourselves into believing that manipulations of the grain trade can make the Soviet Union behave as we would like it to behave.

The best way to look upon the grain trade is the old-fashioned way. The benefits are mutual, and the hard, convertible cash the Soviet Union pays for our grain helps pay for our oil imports and balance our external payments. That in itself should be an important objective of our foreign policy.

F.H. Sanderson, until recently a guest scholar in Brookings' Foreign Policy Studies program, is a senior fellow at Resources for the Future. He served in the State Department as director of the Office of Food Policy and a member of the Planning Staff. This article is an excerpt from a talk he gave at the University of Minnesota.

Before concluding, I will add a few words about international food transactions involving credit.

Unlike the Europeans (and disregarding our unnecessary and foolish export subsidies in the summer of 1972), we have made no concessional sales to the Soviet Union and our CCC (Commodity Credit Corporation) credits have been short-term and at near-commercial interest rates. It has always been a mistake for the West to extend massive long-term government-guaranteed credits which Soviet default someday may convert into involuntary grants-in-aid.

In the case of Eastern Europe, we have justified credit sales and, in some cases, food aid on foreign policy grounds. Our objective was to encourage a modicum of independence in Romania and Poland. Arguably, this policy has had a degree of success, but recent events have reminded us that the results are not necessarily lasting and the overextension of credits can make the creditor hostage to the debtor. Here again, the bulk of credits are outside the agriculture sector. In retrospect, it seems clear that the West would have been wiser not to extend these credits.

My conclusion is that "food power," in the popular meaning of the term, is a myth. However, our agricultural abundance *can* be used in furthering broad international objectives, the way it has been used for the past 35 years.

Food is our strong suit in international trade and a major earner of foreign exchange.

Our agricultural abundance has helped us in pursuing enlightened international trade and aid policies. Our agricultural community has been a strong constituency in support of these policies.

Our agricultural abundance has enabled us to maintain the world's major food reserve and to function as the balance wheel of the world food system. Over the years, we thus have invested substantial resources to protect our reputation as a reliable supplier.

We should think twice before we throw away any part of these achievements in the futile pursuit of questionable (and in any case ephemeral) advantages in the East-West confrontation. **B**

Arms and the Art of Compromise

The arms issue now stands before
Ronald Reagan and Yuri Andropov. Extraordinary
statesmanship is required from both.

John Steinbruner

IN THE THIRD YEAR of an American presidency close observers begin to anticipate the judgment of history. Initial political impulses have had time to encounter the realities of governing. The outlines of accomplishment or failure become visible.

It is a personal as well as an historical drama. Few persons are ever tested as thoroughly as presidents are. The power and responsibilities of the office inexorably probe the entire character of its incumbent. Great strengths and human failings both document their presence in an enduring record of events. The third year of office is thus an occasion for sympathy and fascination, but also for stern demands on behalf of the great interests that are at stake in a president's performance, interests that will long outlive his time.

For Ronald Reagan the third year brings a particularly severe test. Events have conspired to confront him with the issues of nuclear arms control—not an arena he would have naturally chosen. Cycles of military development measured in decades and a chronic festering of U.S.-Soviet relations have focused large questions of security policy on specific actions that will be taken in the course of 1983 unless established schedules are deliberately altered: the deployment of nuclear-armed cruise missiles and Pershing II ballistic missiles on land bases in Western Europe and the deployment of cruise missiles with nuclear warheads on American attack submarines.

Though sincerely justified within the United States as responses to the existing Soviet threat, each of these actions represents to the Soviet Union a new departure in nuclear weapons capability, and is likely to trigger corresponding Soviet weapons deployments. As a practical matter, over the course of 10 to 15 years unconstrained competition in these weapons would almost certainly work to the strong disadvantage of the United States even though we currently lead in mastery of the basic technology. Moreover, given the context of events in which they occur, these actions could readily destroy the entire framework of strategic arms control as it has developed to date. If that happens, the prevailing conditions of international security will be dramatically altered, probably for ill though conceivably for good, depending on how the ensuing diplomacy is handled.

We have encountered such moments at least twice before in the nuclear age: in the late 1950s, when ballistic missiles with thermonuclear warheads had been demonstrated to be technically feasible but the scale of their deployment had not yet been decided, and again in the mid-1960s, when the question of

fitting ballistic missiles with multiple warheads first arose. In both cases the allure of technical opportunity and the hostile dynamics of U.S.-Soviet relations easily overrode any consideration of mutual restraint, and the question of preventing these deployments through arms control was never seriously pursued. In retrospect, those were grave errors of judgment, for extensive deployments of ballistic missiles with multiple warheads have clearly degraded the relative security position of the United States. It may not have been possible to restrain those weapons, but it was surely a major mistake that no significant effort was made. In 1983, arms control is now a part of security policy, but its efforts are focused more on revising the past than on shaping the impending future. Again we appear blind to predictable consequences.

As its president is tested so is the United States political system as a whole. Our form of government, brilliantly and effectively designed to prevent tyranny and to promote competition between conflicting interests and opinions, has difficulty establishing the coherence and consistency of policy that the management of nuclear weapons inherently requires. The issues of nuclear security have hardly been neglected in our professional literature or in recent public discussion, but nonetheless the unusual importance and long-term significance of these immediately scheduled deployments have not entered the nation's consciousness with the clarity that wise collective judgment would seem to require. Weapons issues that are not as immediately important—the fate of the MX missile and the prospects for strategic missile defense, for example—are more prominently debated. Deeply cherished principles—such as equality in weapons inventories—are being advanced in absolutist terms with little regard for their practical effects. Legitimate outrage at various aspects of Soviet policy is being carried to the point that the core security interests of a formidable opponent are obscured. These are ingredients for tragedy.

Can we, with our large, boisterous, rather disorderly democracy, penetrate a confusion of rhetoric, emotion, and narrow purpose to perceive our larger, enduring interests? Can we foresee security consequences that unfold over a decade or more? Can we organize more than a capacity for destruction in service of our ultimate security? Are we capable of serious statesmanship in dealing with an opponent that many of us hate, most of us fear, and none of us trusts?

These are uncomfortably open questions. Our safety in this world depends upon them more than we have yet acknowledged to ourselves.



President Reagan entered office with a strong impulse to present the Soviet Union with a display of American power, plausibly representing the dominant inclination of the American electorate. He considered the Soviet Union to be an expansionist power dedicated to achieving global political dominance primarily by military means. He perceived "unrelenting" momentum in the Soviet acquisition of arms and feared that a dangerous "margin of superiority" over the United States had been established. He judged the measures of agreed restraint on strategic weapons embodied in the two major arms control treaties (SALT I and SALT II) to be "fatally flawed," a codification of disadvantage for the United States. Using weapons inventories and defense expenditures as principle indicators of military position, he committed himself to large sustained increases in the United States defense budget, principally directed to investment in new military equipment. The announced purpose was to "restore our military strength" and thereby to induce desirable concessions from the Soviet Union.

As the major signal of resolve, large increases in defense spending have been planned and partially carried out. If completely implemented the financial plans formulated by the Reagan administration would increase the defense budget on average over 8 percent per year, excluding inflation, from fiscal years 1981 through 1988. The portion of the budget directed to investment would rise to 50 percent. Both the sustained rate of growth and the proportion allocated to investment are historically unprecedented in peacetime. Moreover, this financial commitment has been supplemented by unusually stark expressions of strategic intention. The defense program, it has been said, is designed to enable the United States to fight a prolonged nuclear war, to engage in conventional warfare with the Soviet Union in three theaters simultaneously and ultimately to provide absolute defense of the United States. In the specialized language of military doctrine these formulations represent the strongest aspirations the United States has ever officially espoused.

There has also been an attempt promoted by the civilian secretariat in the Pentagon to supplement

military pressure on the Soviet Union with systematic economic sanctions, in effect a policy of economic warfare analogous to the one long directed against Cuba. This effort has already failed critical political tests within the United States and the Western alliance: It would have required an embargo on U.S. grain sales and success in the American campaign to prevent construction of the Soviet gas pipeline to Western Europe. The attempt was seriously enough pursued, however, to document the underlying intention.

Neither the strong confrontationalist theme in declaratory policy nor the surge in defense spending have had a strong effect on U.S. strategic weapons programs. The projected development of strategic forces has largely continued along the lines designed under previous administrations both in the magnitude of planned capability and in its technical composition. The B-1 bomber was restored as a substitute for B-52s but the only new program instituted has been the commitment to deploy nuclear-armed cruise missiles on attack submarines, an option created by research and development decisions made by the Ford administration in 1974. The major strategic force initiatives associated with the Reagan administration—an emphasis on development of the strategic command system announced in October 1981 and a focus on ballistic missile defense proclaimed by the president last March—are not sufficiently well defined either in conceptual or in technical terms to have a practical effect on U.S. strategic capability in this decade commensurate with the intention expressed.

The impulse for confrontation has had a strong effect on American arms control policy, however, a matter where changes in intention have much greater immediate consequence. The Reagan administration entered office highly critical of existing strategic arms control arrangements, and during the first months in office clearly subordinated arms control to the defense budget increases and general projections of military resolve. With presumably deliberate ambiguity, administration spokesmen committed themselves to honoring existing agreements, but those that had not been formalized (SALT II and the Threshold Test Ban Treaty) were roughly handled: political rejection short of out-

right violation. Recurring speculation about Soviet violations emerged from the administration as part of the flow of background information. Though they apparently lacked the evidence required to make a formal charge, administration spokesmen nonetheless created the impression that they expected Soviet violations and were poised to react in kind. Negotiations for a Comprehensive Test Ban Treaty, which had been virtually completed, were interrupted by demands for stricter verification measures, a move specialists recognized as a formula for indefinite suspension. An intention to design better arms control arrangements was announced, but the associated staff work was subjected to elaborate political and bureaucratic hazards. It proceeded so slowly that the underlying policy was clearly conveyed: First build, then negotiate.

By the fall of 1981 the eclipse of arms control and the revealed details of the strategic weapons development program had created an apparent mismatch between expressed intentions and actual decisions. The strategic balance was being defined publicly in terms of quantitative force comparisons, and American inadequacies in these terms were being loudly proclaimed. Nonetheless, the budget provided for only marginal increases in planned American force deployments, and the MX missile program was quietly cut in half in the process of searching for a politically acceptable method of basing. By reducing the planned MX deployment from 200 to 100 launchers, 1,000 strategic warheads were eliminated from the strategic plan in precisely that category—prompt hard-target attack capability—where the U.S. was said to be most deficient. (A hard target has substantial protection against nuclear blast.) Meanwhile, political denigration of the SALT treaties jeopardized the constraints imposed on Soviet forces without advancing any plausible substitute. It was a pattern of belligerent rhetoric without material support, and it did not seem to make much sense.

At that point, in response to rapidly developing public alarm, the president personally intervened twice in the evolution of his administration's position, in November 1981 to bring about direct negotiations on intermediate-range nuclear forces in Europe and in March 1982 to reestablish a separate negotiation on intercontinental-range nuclear forces. In both cases he advanced arms control proposals that revealed an implicit strategy quite different in character from what one would have expected from the public discussion—at least the appearance of a deeper game.

His proposals called for significant quantitative reductions restricted to those categories where the Soviet Union has enjoyed a numerical advantage. In Europe the Soviet deployment of SS-4, SS-5, and SS-20 ballistic missiles (approximately 550 launchers and 1,300 warheads in total) would be completely eliminated in exchange for abandoning the NATO plan to deploy 108 Pershing II ballistic missiles and 464 cruise missiles (572 total launchers, each with a single warhead). Globally the principal Soviet ICBMs would be reduced: the SS-18 by 198 launchers and 1,980 warheads and the SS-19 by 230 launchers and 1,380 warheads in

exchange for reductions of 425 launchers and 872 warheads in the U.S. Minuteman force.*

These are the reductions in the maximum-allowed Soviet deployment that would result from proposed sublimits on SS-18 (at 110 launchers) and SS-19 (100 launchers) according to published reports of the U.S. proposal. Actual reductions would probably be less since Soviet forces probably have less than the maximum allowed number. If accepted, these reductions would completely eliminate the historical Soviet advantage in intermediate-range ballistic missiles—to the principal benefit of Britain, France, and China, whose forces would remain unrestricted. They would also reduce the Soviet advantage in weapons for prompt hard-target attack by 87 percent. In the more likely event that the proposals were rejected by the Soviets for these reasons, they would project the principle of equity and a desire for restraint in a manner that would appeal to international public opinion.

Meanwhile the real message to the Soviets—or at least the one they are likely to perceive—lay in what was *not* proposed; that is, any substantial qualitative restriction on strategic weapons development. Tacitly, the material pressure on the Soviet Union emerging from the Reagan administration is qualitative in character. The apparent intention is to develop a more sophisticated, more diverse U.S. strategic arsenal rather than a larger one and thereby to force major adjustments in the large Soviet deployments. The implied purpose is to force the Soviets to waste the heavy investment they so recently completed by making it technically obsolete. (The most compelling threat from the Soviet perspective is the Trident II ballistic missile, expected to give the U.S. submarine force the capability to attack hardened Soviet ICBM silos.) Therein lies the whip that gives serious substance to the rhetoric of confrontation.

An Implied but Credible Threat

From the perspective of the Soviet Union, as best as can be judged from the United States, the implied threat in the Reagan administration's security policy is quite credible and potentially very disruptive to what seems to be their own unfolding policy. It is credible because it fits with their own historical experience, their assessment of American strength, and their natural perception of Reagan as an extremist figure in the American political system. It is disruptive because if pursued it will force a Soviet reaction against the dictates of a strong commitment to internal economic reform.

* The American proposal would reduce U.S. and USSR strategic forces to 850 ballistic missile launchers with 5,000 warheads total. No more than half of the warheads could be on land-based ICBMs. In addition, the Soviet SS-18 and SS-19 would be limited to 210 launchers total. Excluding modernization programs such as the MX and any Soviet equivalent, that set of provisions would allow 1,700 hard-target warheads in the Soviet force as compared with 1,275 on 425 residual Minuteman III missiles. This would reduce the Soviet numerical advantage in this category from 3,410 to 425—a reduction of 87 percent. Ultimately the intended modernization of the U.S. program would substitute MX missiles in the land-based force and Trident II missile in the submarine force, and that would make all 5,000 allowed warheads capable of hard-target attack. The Soviets could do no better than equal that number.

For 30 years the Soviets have pursued a competition in the development of strategic nuclear weapons using an economy half the size of ours and a technical base in that economy that is far less developed. Under stable political leadership since 1965, they have utilized a relatively more decisive planning process to overcome



the gross disparities in strategic weapons capability that existed in the early 1960s. In quantitative terms they have matched the U.S. weapons inventories and, indeed, established numerical advantages in several categories—the number of strategic weapons launchers, for example, and the overall explosive power of the weapons they carry. Despite that effort the Soviets are still behind in the most significant measure, the number of weapons that can be delivered to separate targets (approximately 9,200 for the United States to 8,200 for the USSR). At current rates of development the Soviets are projected to remain behind the United States in the number of weapons that can be delivered after absorbing an initial attack.

In land-based ICBMs, the Soviets have reasonably matched the United States in the critical qualitative elements of guidance system accuracy and explosive yield for a given warhead design weight. They had to come from behind to do so. With the larger booster rockets they have deployed, their overall ICBM force has a larger number of separate warheads of equal quality than does the comparable U.S. force: a potential of 6,270 total for the Soviet Union to 2,143 for the United States; and in the special category of highly accurate warheads for hard-target attack, potentially 5,060 for the Soviet Union and 1,650 for the United States. In submarine-based ballistic missiles, however, the Soviets are still outclassed not only in deployed warheads (approximately 5,700 to 1,800) but also in a variety of qualitative dimensions relating to the missile itself, to the submarine as a unit, and to overall force operations. With regard to intercontinental-range bombers, though they have a nominal capability, essentially the Soviets have chosen so far not to compete on equal terms. They have made a heavy investment in air defense not matched by the United States, but it is unlikely they consider their defenses effective enough to compensate for obvious disparities in bomber offense. Hence in their own assessment the quantitative advantage in ICBMs—75 percent of their total strategic capability—in effect offsets sharp disadvantages in the other strategic force components.

The Soviets must prudently recognize, moreover, that this one advantage is precariously held. On the

most important frontiers of military technology—in microelectronic circuitry, and its application in miniaturized information processing, in esoteric lightweight materials used for space vehicles and for mobile weapons systems, and in solid fuels—the Soviet Union appears to be behind. In any renewed competition in strategic arms it would have to compensate for disadvantages in these underlying technologies.

The principal military planners in the Soviet Union have personally participated in this 30-year competition and its principal features are undoubtedly vivid in their memories. They have seen the rapid initial surge and then long stabilization of U.S. strategic force deployments, have experienced major ebbs and flows in the American-Soviet political relationship, have observed significant fluctuations in Washington's defense budget, and have followed a number of variations in U.S. doctrinal arguments. Throughout all of this the most enduring constant has been the American effort in military technology, consistently running ahead of Soviet efforts and in the process setting new standards for weapons performance, defining new dimensions for military competition, and thereby outflanking the traditional Soviet reliance on quantity of arms.

It would be plausible to the Soviet leadership that President Reagan would appeal to this fundamental advantage of the United States in applying deliberate pressure. It is a posture well buffered against shifts in political mood in the United States that are already working to constrain the rate of growth in American defense spending and to qualify the more ambitious military aspirations of the Reagan administration. U.S. efforts in advanced military technology do in fact enjoy secure political support across the spectrum of American opinion even when there are sharp disputes over specific weapons programs. It requires little imagination for the Soviet observers to embellish that with a standard ideological twist—President Reagan responding to leading elements of the defense industry as a primary political constituency.

Against this background, the implied threat of unrestrained qualitative competition in strategic weapons will have to be taken as a deeply serious matter by the Soviet leadership, in part because of its immediate military implications, in part because of broader issues of major power politics.

From a Soviet military perspective, the deployment of U.S. intermediate-range missiles in Europe is a significantly new dimension of strategic threat. The presumed target of these weapons is not the SS-20 featured in the NATO rationale but rather the central strategic command system of the Soviet Union, concentrated around Moscow and in the Western part of the Soviet Union. (Washington denies this implication and quotes a range for the Pershing II missile that would not allow it to reach Moscow. Soviet commentators insist that it can reach Moscow. Whatever the actual fact, the Soviet opinion is technically plausible, given the size of the basic missile.)

This set of targets puts their entire strategic capability in jeopardy. The flight time to these targets of a Pershing II ballistic missile is so brief that meaningful reaction from Soviet commanders after the missiles were fired would be impossible as a practical matter.

The assessed accuracy of the missiles is sufficient to destroy hardened command installations, and the fact that the missile as originally described would have an earth-penetrating warhead suitable for attacking command post bunkers is quite suggestive of the intention. Even the ground-based cruise missile is a problem in this regard. Though flight time is measured in hours, Soviet military analysts are likely to doubt their ability to detect it during flight because of its small radar profile and very low altitude. It too has the accuracy required to attack hardened targets.

As Soviet military planners have long recognized, and American planners have more recently and reluctantly conceded, the central command system of strategic forces is at once the most vulnerable and most valuable strategic target. It is a network of command centers and communications links whose critical elements are relatively few in number and inherently vulnerable to attack, given the offensive firepower of modern weapons. Without the central command system's surviving, strategic forces are militarily useless, for their actions cannot be coordinated; to the Soviet Union, they are probably considered politically dangerous as well. Though its ultimate decisiveness is inherently uncertain, a pre-emptive threat against the opponent's command system is nonetheless the only conceivable path to victory in nuclear war. The Soviet Union is not likely to concede to the United States even a remotely credible advantage in conducting such an attack.

Beyond this immediate military problem there is also a major issue of political procedure, the proper use of power in international transactions. Whatever the substance of the matter, the stature of the Soviet Union as a major power and its credibility in dealing with the United States would be damaged in their own estimation if the Soviet leaders make concessions in response to direct threat. That would imply they are amenable to coercion, no less dangerous and unacceptable an implication when viewed from Moscow than it is from Washington.

The Soviet leadership has been quite explicit in saying that they would react in kind to the deployment of U.S. medium-range missiles in Europe and they have defined two reasonably specific deadlines. When the "practical preparations" toward the NATO deployment are taken, Leonid Brezhnev stated in a March 1982 speech, the moratorium on SS-20 deployments he announced will no longer "be in force." When the NATO deployment is actually in place, Brezhnev indicated, the Soviet Union would feel "compelled" to take "retaliatory steps that would put...the United States itself, its own territory, in an analogous position." (Foreign Minister Andrei Gromyko repeated the warning in a June 1982 press conference at the UN.)

The meaning of the phrase "practical preparations" is not entirely clear, but equipment relating directly to U.S. missiles is scheduled to appear at bases in Europe early this summer. That appears quite likely to trigger the sequence of reaction to which the Soviets have publicly and officially committed themselves. If they do not react, the Soviets will run the risk of being exposed in a bluff with the underlying issues unresolved.

Though Soviet spokesmen have yet to draw an explicit connection in any public statement, recent weapons tests have offered concrete indication that they do not intend to bluff. Last February the Soviets tested a new, light, solid-fuel ICBM represented as a replacement for the SS-13. This missile, apparently capable of mobile deployment, could be used at reduced range to cover targets in Europe as well as at full range for targets in the United States—a pattern displayed in the late 1960s with the SS-11 missile. In addition, tests of a new Soviet cruise missile were announced in early April. Both types of tests confirm available capability to react with material weapons deployments, and at least in broad outline one can infer the logic available to Soviet planners in considering their options. There appear to be four principle options: cruise missiles, land mobile ICBMs, anti-satellite systems, and pre-emptive attack.

1) *Cruise Missiles*: Though the Soviets have long utilized cruise missiles in their naval forces, the combination of size, guidance-system accuracy, range, warhead yield, and ease of operation of their weapons made them distinctly primitive and relatively insignificant compared with the cruise missiles now scheduled for deployment in the American forces. The Soviets have been pursuing programs to match American cruise missile technology, however, and it is prudent to assume that over the course of the 1980s they will achieve some approximation of current American weapons even if they do not keep pace with their technical elaboration. That achievement would be sufficient to enable the Soviets to exploit some fundamental nontechnical advantages in any extended competition in these deployments.

The United States and most of its major allies have a high concentration of targets near coastal areas, and are easily approached through the open ocean or through seas controlled by the Soviet navy. By contrast the Soviet Union is a landlocked country with strong naval defenses in its few seas approaches. Moreover, though a less enduring advantage, the Soviet Union historically has developed a much more extensive air defense system. The current capacity of that system for resisting cruise missile intrusion is probably extremely weak, but it does provide an extensive base from which to develop, at least in institutional terms. The United States has historically neglected air defense development, and though there is some capability in Europe, the shallow depth of territory and proximity to the Soviet Union sharply limit the potential there.

For these reasons an extended competition in cruise missile deployments is likely to work to the relative advantage of the Soviets even if they are not as adroit in the basic technology. Cruise missiles in mobile deployments on land provide an available means of increasing weapons deployments against Western Europe in retaliation for the NATO deployment. Moreover, though it is probably not their preferred solution, submarine-based cruise missiles do offer one means of seeking a low-warning attack capability against the United States to support their diplomatic commitment to place us in an analogous position.

2) *Land mobile ICBMs*: The small solid-fuel ICBM recently tested in the Soviet Union provides another

logical means of responding effectively to U.S. pressure even at a net technical disadvantage. With large land areas that are not densely inhabited, reliable control over the Soviet population, and an ability to restrict unauthorized access to any given segment of territory, the Soviet Union is in a better position to sustain the complex logistics of an invulnerable mobile missile deployment on land. In densely populated Western Europe it is essentially impossible to move missiles continuously or to keep their positions unknown for very long. In the United States it is more conceivable



in principle but very difficult in practice because of strong domestic sensitivities both to restrictions on land use and to routine transit of nuclear weapons through populated areas. Thus Soviet planners can contemplate an extensive deployment of small mobile ICBMs that would both reduce the vulnerability of their ICBM force and allow them to integrate theater- and intercontinental-range operations by using the same missile for both purposes.

3) *Anti-satellite systems*: The Soviet military planners can also effectively respond by further development of their current limited capacity to attack space satellites. The United States is involved in alliance relationships throughout the world and conducts major portions of its military operations far from the territory of the United States itself. In managing these operations the United States has already become highly dependent on communication and other military support assets based in space and will become more so over the next decade as more sophisticated (and expensive) equipment is deployed. The Soviet Union also uses space extensively, but as a continental power with inherently shorter lines of communication is less dependent upon space. Since attack on assets in space does not require either great expense or technical virtuosity, this is an area of military development the Soviets could readily use to negate the effects of American sophistication and to retaliate for the pressures placed on their own strategic command system.

4) *Pre-emptive attack*: Soviet options for responding to the particular problem that the Pershing II missile presents to their command system are more difficult to discern. If the response is to be strictly equal in terms of observable military potential, it would have to rest on ballistic missiles based on land. Ships, submarines, and aircraft do not allow the continuous, highly secure, two-way communications that intricate coordination of a pre-emptive attack requires. They

also do not have the endurance to hold positions in an extended crisis. Any use of the cruise missile, moreover, because of its greater flight time, creates greater risks of timely detection.

Cuba offers the most plausible land area apparently available to the Soviet Union for deployment of ballistic missiles near the United States, and Soviet spokesmen have alluded to Cuba in warning of the consequences Pershing II deployment in Europe might have. In terms of strict Soviet interests, however, there are fundamental problems with that option even if one assumes that the Cubans themselves would pose no obstacles. Any ballistic missile deployed in Cuba would be quite vulnerable to attack by United States conventional forces, just as the NATO missiles are vulnerable to Soviet conventional attack. Soviet military planners are probably quite reluctant to establish that analogy.

Beyond that, the outcome of the 1962 crisis created, to the Soviet Union, a highly prejudicial definition of established interest. Important segments of world opinion are virtually certain to consider a contemporary attempt to place ballistic missiles in Cuba to be categorically a more aggressive move than the scheduled U.S. deployment in Europe. However unfair Soviet leaders might believe this residue of history to be, it has the undeniable effect of making serious diplomatic crisis and the associated risk of actual warfare the likely results of pursuing this option. If the Soviet purpose is simply to establish a military capability commensurate with that represented by the U.S. missiles in Europe, then a land deployment in Cuba presumably would not survive rational deliberation. A submarine deployment in Cuban territorial waters might be a compromise approximation for which some enabling diplomatic record has already been established.

It is more conceivable that the Soviet Union might simply announce a plan to deploy missiles in Cuba in response to NATO's actions for the purpose of using the predictable ensuing crisis to alter the course of American security policy. An announced plan with no immediate execution in progress would not provide the exposed target for U.S. military action that the clandestine operation in 1962 provided once it was discovered. Soviet analysts might calculate that the United States, highly provoked and unable to find immediate leverage, would mishandle a crisis of subtle diplomacy and trigger pressures from an alarmed world that would ultimately turn us from a confrontationalist course. Though such an adventure is too unpredictable and too laden with chances for disaster to emerge as a prudent choice, it might result from a Soviet leadership divided by the pressures of the American political and strategic challenge.

With varying degrees of attractiveness these options for military reaction do provide the Soviet Union with the means for competing favorably in the development of strategic arsenals, even conceding a continuing technical disadvantage. Given the strong role of general military policy, systematic planning and sheer bureaucratic inertia in the Soviet system, a deliberate reaction is likely to involve commitments to a number of these options at the same time and to result in a new enduring phase of Soviet military development.

It is a reasonable presumption that Soviet leaders would prefer to avoid a systematic reaction in the form of new military programs. The new party chairman, Yuri Andropov, has projected a primary commitment to domestic economic reform, a priority that appears both compelling, given the poor performance of Soviet economy in recent years, and also promising. The Soviet economy, with a very rich resource base, is tremendously inefficient by world standards. Improvements in its internal efficiency could generate impressive economic returns. The measures required—internal price increases and exposure of Soviet industry to international economic standards—seem to demand political stability and increased economic interaction with some part of the industrial world, at a minimum with Western Europe. If they can reasonably do so, the Soviet leaders have good reason to subordinate the issues of relative military position to the interests of economic reform.

An Unavoidable Choice

A collision between American and Soviet policy is clearly imminent. The United States is strongly committed to the deployment of Pershing II and ground-launched cruise missiles in Europe by the end of 1983 and to the deployment of nuclear-armed cruise missiles on attack submarines in early 1984. The Soviet Union is equally committed to react with new deployments of its own. Once triggered, this interaction is likely to have broad and irreversible consequences. In particular, the first introduction of submarine-based cruise missiles will create a gaping hole in the SALT II restrictions on strategic forces. Nuclear-armed cruise missiles cannot be distinguished by remote observation from conventionally armed variants, and large-scale naval deployment, the conventional version, is conceded to be a virtual certainty—nearly 4,000 are contemplated by the U.S. Navy. In the absence of a verifiable distinction, the entire deployment will have to be officially counted as nuclear. If, as now appears likely, the Soviet Union responds to the NATO deployment with a land-mobile ICBM, that will create another major breach in the restrictions on offensive forces. The ceilings on offensive forces embodied in the SALT treaties are unlikely to survive this combination, and if they fail the possibility for reductions almost certainly will fail with them.

The outlines of a conceivable compromise have been visible for some time to those familiar with the underlying interests of the two sides. It would involve a partial and temporary agreement designed at least to postpone the two events likely to trigger irreversible reactions: the introduction of the nuclear-armed cruise missile by the United States and the small mobile ICBM by the Soviet Union. Moreover, in order to break the current cycle of interaction NATO would indefinitely postpone Pershing II deployment, and in exchange the Soviet Union would reduce its intermediate-range systems to some residual number approximating 100 launchers. The Soviet Union would have to concede NATO's right to match that number, but pending resolution of major issues that would remain outstand-

ing (tactical aircraft in Europe and the British and French missiles forces, for example) NATO would hold its implementation of that right at some point short of complete deployment. The fundamental purpose of the compromise is to buy time for resolving those issues for which the basis for plausible agreement has not yet been prepared.

Seized with the inevitable ritual of negotiations, both governments at the moment have numerous objections to the provisions of a partial compromise. Neither can entirely hide the fact, however, that this interim result would be a great deal better for both than the outcome likely to emerge from the impending breakdown of restraint.

Without agreement the United States will have to proceed with the NATO deployment in the face of a Soviet reaction likely to intensify political division within Europe. Deployment under these circumstances will drive defense ministries loyal to the NATO commitment against sharp domestic political opposition on behalf of weapons whose military rationale is exceedingly questionable. Missiles located on land bases in Western Europe and the command system necessary to operate those missiles are highly vulner-



able to pre-emptive attack, certainly by Soviet nuclear forces and even by Soviet tactical aircraft using conventional munitions. This vulnerability combined with the inherently cumbersome decision procedures in an alliance of 15 democratic governments renders these weapons essentially unable to execute military missions since an attempt to use them would almost certainly trigger effective pre-emption. When this condition is realized, as it is destined to be in the course of contentious public debate, the prime rationale for these weapons as a symbol of American commitment to Europe will be severely damaged. One cannot responsibly couple U.S. central strategic forces to Europe by means of weapons that cannot meet the standards of protection required for stable deterrence. The harsh fact is that the NATO deployment cannot withstand the pressures that will descend upon it in the absence of an arms control agreement.

The U.S. deployment of nuclear-armed cruise missiles in attack submarines does not have a problem of vulnerability but nonetheless it is not an area in which

the United States ought to stimulate sustained competition. The deployment adds very little to American offensive attack capability against land targets. It interferes with the more important tactical missions of attack submarines. Over the long term large deployments work to the advantage of the Soviet Union because of geographic conditions. In the end the concessions involved in compromise are quite consistent with fundamental interests of the United States and the NATO allies.

Fundamental Soviet interests are easily accommodated as well. Current Soviet strategic forces have more than ample offensive firepower against Western Europe as implied by their willingness to contemplate sharp reductions in their intermediate-range systems. Without the special threat of Pershing II and an open-ended competition in submarine cruise missiles, the Soviets could tolerate a residual deployment of ground-based cruise missiles by NATO if they were held short of high-alert status. That latter condition would mitigate the pressures for pre-emption Soviet commanders might otherwise feel. Whatever net benefits might accrue to the Soviet Union from political divisiveness within NATO cannot outrank their larger interests.



The Soviet Union simply cannot afford the enterprise of dominating Western Europe by force; stable political accommodation is by far the more practical course for Soviet policy.

The time has effectively expired for a compromise along these lines to emerge from formal negotiations and routine diplomatic proceeding. The American INF (intermediate-range nuclear forces) negotiator started down this track in July 1982 with some degree of informal cooperation from his Soviet counterpart. From available public accounts it appears that his efforts were aborted by bureaucratic warfare in Washington and that Moscow, apprised of that fact, responded in kind. Thereafter both governments have engaged in public posturing designed more to argue the equity of their conflicting positions than to move toward a compromise outcome. As the Soviet foreign minister noted on April 3, the process is diverging and, as the observing world should note, the deadlines for virtually irreversible action are upon us all. Normal diplomacy has failed.

The issue therefore stands unavoidably before President Reagan and Soviet Party Chairman Yuri Andropov. Unless they both undertake extraordinary acts of statesmanship, unless they are able and willing to lead their governments into accommodation rather than simply responding to pressures accumulated beneath them, a mutually damaging confrontation with extended consequences will be the record that history attaches to them.

In the United States we know little about the Soviet leader and can only hope. We know rather more about our own leader and can at least exhort.

For Ronald Reagan, we can appreciate, it is indeed a severe test of character. His entire career has been that of an unusually skilled, highly partisan domestic politician. He has championed strong principles that represent a segment of the country and has risen to power on their intense support. To put it mildly, those principles and his supporters offer little basis for realistic accommodation with the Soviet Union. In governing his style has been reasonable in tone but strongly confrontational in substance: forceful implementation of strong conservative policies pursued up to the point where the necessity for compromise overwhelms him. In a domestic context this has worked well; the drama of a political breakdown over resistance to his strong measures followed by the general relief of sudden compromise. He manages this transition with grace and good humor, and even those who reject his politics like him for it personally. These are deeply ingrained habits, one must presume, for they are the roots of his success.

The president has followed these habits over the first half of his third year as he has become personally engaged in the issues of security. He has insisted on his defense budget increases against firm congressional insistence on paring them down in the face of large fiscal deficits. He has opposed a freeze resolution in Congress that he might easily have tolerated, so imprecise are its practical implications. He has attacked the Soviet Union as the "focus of evil" in the world. He has introduced a theme into security policy—the idea of ballistic missile defense—that is highly divisive internally and extremely provocative internationally when pursued without accomplished restrictions on offensive forces. He adopted the rhetoric of compromise only to rescue the MX missile from congressional defeat.

This intense partisanship would be dangerous at any time in the context of the American-Soviet relationship, a context not governed by the political and constitutional traditions that constrain political conflict in the United States. Under the current circumstances it is a formula for enduring misfortune. The president is at the point of necessary compromise and must grasp that there is no longer any external process that will bring it to him. He must make the fundamental political decisions necessary to bring it about, and must undertake considerable initiative in a very precarious diplomatic situation. In order to do so he will have to understand the demands of statesmanship, the looming judgment of history, what it means to be president of the United States as a whole and the leader of its alliances. (B)

The Golden Triangle: The Press at the White House, State, and Defense

There are three different press corps
for the three institutions. Each covers its
“beat” with a different approach and philosophy.

Stephen Hess

“To be worked successfully, each beat requires its own set of human traits, and this makes for differences among the types of reporters scattered in pressrooms across Washington....The myth that the White House is a glamorous beat impels the men who work it to behave as they conceive glamorous reporters must. Other beats imprint their personalities just as indelibly. The State Department reporter quickly learns to talk like a fuddy-duddy and to look grave, important, and inscrutable. The Pentagon man always seems to have just come in off maneuvers....” —Russell Baker, 1961.

The press populations at the White House, State Department, and Pentagon have changed in the 22 years since Russell Baker wrote his charming book, *An American in Washington*. Where White House reporters in 1961 sat around the West Lobby viewing the presidential visitors who wished to be seen, they are now sealed into two newsrooms and a briefing room. The “men” on the White House beat are now just as likely to be women, at least if they work for television. Some of Baker’s State Department “fuddy-duddies” have become international media celebrities more famous than the diplomats they cover. And the Pentagon reporters are less likely “to have just come in off maneuvers” than to have been out tracking high-technology products like Titan missiles.

To be able to comment on the connection between government officials and Washington reporters, I requested and was granted the opportunity to be an inside observer of press operations at five federal agencies: the Food and Drug Administration, the departments of Defense, Transportation, and State, and the White House. I obtained the appropriate security clearances and then had access to staff meetings and internal documents. (To the best of my knowledge, I was excluded only from discussions about personnel matters.) I remained at an agency for periods ranging from one month (Transportation) to three months (State) between September 1981 and August 1982. I moved on when I felt that I would not appreciably improve my understanding by staying longer. In those cases where there was a pressroom on the premises, I spent my days shuttling between reporters and officials, often seeing the same events from two perspectives.

This article describes some of the institutional char-

acteristics that I observed at the White House, Pentagon, and State Department.

If Russell Baker were to reexamine this golden triangle of Washington reporting today, he would spot changes in speech, dress, location, and technology. He would also note distinctions in the relative competencies of the three press corps, differences in the working relationships between reporters and sources, and in the philosophies of how best to cover each beat.

At the White House, much of the press corps earned its reporting credentials covering the previous presidential campaign. The experience helps to understand the politics of the White House, but can be decidedly unhelpful when reporting the substance of the president’s programs. Because of the youth of its members and frequent turnover, it is a press corps with little historical memory and little knowledge of economics and foreign affairs. Its members exhibit a weakness for interpreting all presidential actions through a political lens, thus creating a form of distortion that appears to ring with “reality.”

At State, where tenure for reporters is longer, a different problem can occlude the perception of events. The lens through which these reporters refract reality is called “nuance journalism.” It is an elaborate tango in which sources and reporters communicate with each other through glances and code words. It can be a beautiful dance when performed by experts. More often, however, there is a clumsy partner. This was particularly the way it appeared to me during the tenancy of Alexander Haig. But as more and more marginal reporters crowd the dance floor, the routine must become increasingly grotesque.

The Pentagon is the most healthy of the three beats in the golden triangle, with the most information available, and the least refraction in reporters’ translations. Despite recent flaps over leaks, reporters and sources come closest to agreement as to acceptable standards for what should and should not be printed or broadcast. The regular reporters, however, are asking the types of questions that are easiest to answer, although they often appear to be more complex because they are more technical.

To put these beats in context, it needs to be noted that only a handful of government agencies have

newsrooms and a corps of regular reporters who spend part or most of each day inside specific buildings. The vast majority of government agencies get modest attention from the mass media, and most government workers (including many of substantial responsibility) have only to avoid scandal to stay out of the non-specialized press.

Most Washington reporters work for trade publications, or cover Congress and regional news, or are on general assignment. Almost by definition the reporters permanently assigned to the White House, Pentagon, and State Department are an elite, either from the inner ring of Washington journalism (TV networks, weekly newsmagazines, wire services, and the newspapers read by "opinion leaders") or the top people of the middle ring (organizations willing to commit at least six reporters to covering national news from Washington).

The press corps at the White House, State, and Pentagon—mirroring the news values of the mass media—can be thought of as a ratio of 4:3:1. The Associated Press, for example, keeps four full-time reporters at the White House, three at the State De-

being covered than *who* is doing the reporting. Despite surveys that show mainstream reporters do not agree with the policy thrust of Ronald Reagan (or other conservative presidents), my year of pressroom eavesdropping (more important than any interviewing) convinced me that ideology is not an overt factor in serious reporting.

Indeed, little of what reporters say to each other, day after day, has anything to do with policy. Much of their "professional" conversation could be fitted in two categories: traveler and seer. They spend so much time trailing presidents and cabinet officials around the world that a lot of their conversation revolves around such matters as the relative virtues of the VC-137 and the KC-135 (two versions of the Boeing 707 that transport VIPs). They also like to make predictions: "The Argentines won't go to war with the Brits" or "The *Daily News* is going to fold." Beyond ideology, the treatment of reporters—a feeling of being personally abused by certain officials—very well may influence their copy. An administration never gets the press that it thinks it deserves; it almost always gets the press that it brings upon itself.

White House: Covering a Person

Those whom Theodore White once called "bloodless political scientists" desire that White House reporters devote more attention to writing about "policy," "process," "management," and even "organization." Perhaps they assume that this would happen if only reporters had more access to presidential advisers and the inner workings of the building. The assumption is not correct. The White House differs from every other agency of the executive branch as a news beat in that it is dedicated to covering a person. Reporters are paid to file stories about the president, not the presidency (with the exception of a couple of magazine writers). How available and forthcoming a president and his aides choose to be with the press corps can affect the quantity and quality of the coverage, but will not change the nature of its substance.

There is an almost unending stream of events staged at the White House each day for the amusement or edification of the press. Yet, unless they talk to the president, it has not been a good day. "They never have enough," says Peter Roussel, a deputy press secretary. "I asked Helen [Thomas of UPI] whether it would be enough if she saw the president eight hours a day. She said no."

Reporters are increasingly assigned to the White House because they followed the president when he was a presidential candidate. TV networks, newsmagazines, and leading newspapers seem to think that a year with the winning campaign gives a reporter special connections with presidential assistants and special insights into what may be happening behind doors that are closed to them. My hunch is that this reasoning has only a surface logic. In the campaign the staff and the press corps are consumed by politics; it is the business they are both engaged in. Their levels of knowledge are not very different, and, indeed, some of the senior political reporters are more knowledgeable



partment, and one at the Defense Department. (The less affluent UPI has three White House reporters, two at State, and one at Defense).

The very small number of serious reporters at the Triangle—less than 150, or about 10 percent of the national press corps—are relatively interchangeable. In fact, the more senior reporters may have covered two or even all three of these beats. They are not clones, of course, but much more of the differences in news coverage can be explained in terms of *what* is

in the arcane conventions of running for president than are many on the candidate's staff. Once in the White House, however, the most senior staff and the reporters proceed along different tracks. Aides are forced to become deeply schooled in policy matters, while, in effect, the reporters continue to do essentially what they had been doing during the campaign.

Moreover, I think there is a second kind of separation taking place. In the campaign the reporters and staff were supplicants to each other. It was a relatively reciprocal relationship, and, hence, fairly healthy. This relationship changes once they arrive at the White House. While more often than not in Washington the political executive is the supplicant—a competitor for finite space or time in the news media—at the White House the reporters are the supplicants: They must report on the president almost without regard for whether he is doing anything or not. So as the relationship becomes more unequal, it also becomes more unhealthy.

The practical effects of the presidential-campaign-to-White-House movement are that it ensures a press corps of high energy and low historical memory, and further accentuates politics as the touchstone that the press will use to explain the motivation of all presidential behavior. It does not assure that the reporters will have any substantive knowledge in the two areas that they will be most often writing about—because they are the two areas that presidents must most often deal with—economics and international relations.

When the *Washington Star* went out of business in 1981, its pressroom desk at the White House was reassigned to the newspaper reporter with the next most seniority—four years. ABC's Sam Donaldson, whose colorful personality makes him a leader of the pack, has only been there since 1977. Today's typical president-watcher has "no basis for comparison," according to Clifford Evans of RKO Broadcasting, a veteran of 16 years at the White House. While this is valid criticism, it also could be made of presidential assistants. The White House—where the average age of the staff has dropped markedly over two decades—is a place that increasingly acts as if the world has to be invented anew every fourth year. Since the short tenure of present White House reporters is not unrelated to the short tenure of recent presidents (four since 1974), if the United States starts to have two-term presidents again it might follow that there will be a cadre of more experienced White House reporters as well.

The rapid rotation of reporters to coincide with a new presidential administration may have interesting unanticipated consequences.

The White House has become a catapult for the upwardly mobile reporter, primarily because it is the least specialized of the major beats. The front row of the White House briefing room is reserved for reporters from the following organizations: Reuters, ABC, UPI, CBS, AP, and NBC. On a day in late May 1982, four

of the six seats were occupied by women reporters. On the same day, three of the four NBC reporters were women. Why? The most obvious reason is that in a business with a dismal affirmative action record, the White House is the assignment that (in television, especially) gets the most notice for the least hiring—since it receives the most air time—and does not require elaborate credentializing (a few months on the campaign trail will do, if necessary). As a transitory assignment, women (and blacks, to a much lesser extent) then move from the White House into the competition for the other prestige jobs.

It is hardly surprising that the news medium of choice for presidents has become television. Elected officials need to reach voters; diplomats and generals don't. There were 15 TV cameras at a bill-signing ceremony and I counted six cameras and 27 people (mostly technicians) trooping into the president's office for a routine "photo op." The White House is the one executive agency whose news rhythm is set by TV. Conversely, the degree to which pictures now dominate the planning and timing of events makes the beat less attractive to print journalists.

What the dominance of TV means is that the White House now has a one-story-a-day focus since the networks are not going to use more than one major president story on their prime nightly news program. Thus the "struggle" between the press office and the pressroom is largely over what event will rise to the top each day. There are days when neither the news media nor the president makes the decision and other days when the president and the press pick the same event. It is not a closed system: Both president and White House reporters are also responding to events produced by the Congress, judiciary, opposition party, other nations, and, on occasion, enterprising reporters.

As in the children's game of paper covers rock, a real event will always cover an ersatz event—although an ersatz event can get some coverage if the president is personally involved.

Given all the attention to how presidents "use" the press, content analysis will show that manufactured stories are at the margins of the news. The White House reporters forgo a lot of good stories because of how tightly limited they are to writing for the front page or its TV equivalent, but they don't often fall for the hype and the dubious.

State Department: "An Historical Memory"

Unlike reporters on the White House beat, reporters at the State Department (and the Pentagon) seem to stay and stay and stay. Given the complexity of their assignments, they contend, this is most appropriate. Barrie Dunsmore, ABC's diplomatic correspondent, says, "On many beats you grow stale and rewrite. At State you keep getting better. You grow in the job. An historical memory is very valuable."

Despite the often lengthy tenure, these reporters are rarely co-opted, an unfounded worry of some who write about the government/press connection. On the contrary, they are prepared (even eager) to criticize the government if they feel it is justified. But long

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tenure on a beat often means that reporters ingest the mind-set of the agency, that they increasingly approach their material from the same vantage point as those they cover.

How serious a problem this is is a matter of debate. In part it does not become more serious because of what reporters must do or how they are treated by sources, serving to remind them periodically of their lowly journalistic status.

The more important the event, the more time reporters spend waiting; the more important the story, the less frequently their calls are returned. A story the size of the Falklands crisis is almost wall-to-wall waiting. There are few people who have any information and fewer still who will share it with the press. A network correspondent, after six hours of phoning, reaches a source who says he'll take *one* question.



Reporter: How much time [until the United States expects the British to invade]? Source: Seven days. The reporter gets 90 seconds on the evening news; in the next booth, his competitor also phones and waits, but he is not as fortunate.

The State Department and the peacetime Pentagon are essentially print beats. The Iranian hostage crisis, a TV story, was an aberration. The noon briefings at the State Department are televised and those at the White House are not, but this does not change the basic equation; it merely gives the State Department, a talking-heads beat, an extra visual angle that may help to sell a story to the nightly news producers.

Reporters from the different print outlets—as with Orwell's animals—are equal except that some are more equal than others. The State Department's paper "of

record" is the *New York Times* (at Transportation the comparable paper is the *Washington Post*). "Of record" means: Foreign service officers read the *Times* first, clip the *Times*, and circulate the clips, as do the department's clients, i.e., embassies and foreign ministries. I sometimes had more than a feeling as I followed events from the government and press sides that State Department officials were negotiating with the *Times* in much the same manner as they would with the diplomats of a sovereign nation.

An agency's press office is the most obvious and routine part of its press relations. The great leaks do not come from press officers and the great reporters have the least need of press officers. Yet if the press office is functioning properly it performs a necessary service as a sort of insider's outsider/outside's insider, chipping away at the permanent government's built-in inertia and suspicions toward the press. It also has a special importance to those reporters for whom doors are less likely to open.

The State Department had 42 full-time "public affairs advisers" (a.k.a. press officers) in Washington as of March 30, 1982; press room facilities with 29 partitioned working spaces, spacious offices for the AP and UPI, and six radio-TV booths; a wire service room where reporters have access to the flowing tickers of AP, UPI, Reuters, and the CIA's Foreign Broadcast Information Service, as well as the use of a photostat machine (often out of order).

Foreign correspondents have the daily briefings piped into a comfortable lounge that the USIA maintains for them at the National Press Building, where many have their offices. "Senior officials" held 55 backgrounders in 1981, and 16 in the first four months of 1982, open to all reporters. The State Department issued 441 press releases in 1981.

Nevertheless, of all the major government agencies in Washington, the State Department interprets its responsibility to the press most narrowly. Unlike the Pentagon, for instance, it clearly does not see its press operation as an information service. "I resent reporters asking me questions that my son could look up in the encyclopedia," said one press officer. "If a reporter wants to know how many children Sadat had, let him call the Egyptian embassy—it's not my job to tell him," said another.

The State Department is also a building full of officials with what Hodding Carter calls "old habits" in dealing or not dealing with the press. He means—as another press officer puts it—"the traditional, nineteenth-century diplomatist's view is that ideally there should be no news at all." News-gathering problems are compounded, according to one person who served in the State Department during the Carter administration, because foreign service officers (FSOs) "see themselves as an elite and the reporters as of a lower social order. They think that foreign policy is so complicated that it can only be understood if you've passed the foreign service exam. Reporters' minds are not subtle enough. They can only botch things up and make life more difficult."

While this may be a caricature, the State Department was the only place where I found some government workers who came close to challenging the legitimacy

of the press—as distinct from the usual bureaucratic tendency, which is to try to ignore the press because it is a nuisance. (The White House is different: Presidential assistants are not against the press, they are against getting a bad press.) Still, I suspect that the FSO's attitude toward the press is only slightly tinged by class or caste distinctions—American reporters and diplomats get along very well when they are overseas, for instance, especially when stationed in countries that are hostile to the United States.

Rather, I think, hostility to the press partly results from this paradox: The State Department has created an elaborate news-generating system, revolving around the daily noon briefings, with great hunks of time spent each morning on the preparation of “guidances” for the spokesman, and no one knows how to turn it off, even as the FSOs watch themselves be swept away from the type of private diplomacy that they think is most respectable and effective.

The effort by State to keep control of diplomacy often forces reporters to search for the unverifiable. As Bernard Kalb tells newcomers, “Watch out that you don’t bump into a nuance.” How do you spot a nuance? Reporters and officials reply that it can be identified through “code words,” “cues,” and even “body language.” A former State Department briefer explains, “You might say the discussions were fruitful. Or you might say that the discussions were frank. ‘Frank’ means that the discussions got nowhere or were hostile.” Another former briefer explains, “‘No comment’ means ‘yes,’ while ‘can’t confirm or deny’ doesn’t necessarily mean yes.”

As I moved back and forth between reporters and officials, I became uneasy: Here was a “communication system” with too much room for misunderstanding, which relied too heavily on the artistic skill of those delivering and receiving messages. I was seeing too many examples of cues that were wrongly perceived. Either there were some not very good cue givers or some not very good cue takers. Or both. Even when the minutes of Secretary Haig’s senior staff meetings were leaked to the *Post*—calling British Foreign Secretary Lord Carrington a “duplicious bastard”—the reporters who cover the State Department (without claiming to know the identity of the leaker) could not agree on whether it was meant to be a friendly or unfriendly leak. Although the story was a nightmare within the bureaucracy, reporters could argue—“nuance-wise”—that since the minutes contained no nasty comments about the president, the leak may have been meant to strengthen Haig’s hand at the White House. And as for the “duplicious bastard” quote, said a reporter, “Carrington can dine off that for a month!”

I asked Alan Romberg, the deputy spokesman, to estimate the number of truly serious reporters in the diplomatic press corps. Fifteen, he said. But there were usually 70 reporters at a noon briefing. The briefings had lured more and more of the marginals of Washington journalism to the State Department, many of them too inexperienced or unsophisticated for this sort of semaphore. Thus the daily sessions have become necessary if only to correct the previous day’s misunderstandings.

The Pentagon: Gasping for Breath

“A building breathes,” says Roberto Garcia, the Brazilian journalist. “Sometimes there’s more air, sometimes less.”

The Pentagon of early 1982, viewed from outside, seemed to be gasping for breath. Deputy Secretary Frank Carlucci was busy administering lie-detector tests to suspected leakers. Yet inside the newsroom, Pentagon reporters shrugged and mumbled something that sounded like *deja vu*. The press officers were more offended by Carlucci than were the journalists. “This is the most open place in Washington,” a respected newspaper reporter told me.

“Would anyone believe you if you wrote that?”

“Reporters know it.”

Reporters on the beat may know it, but I found that others who drop in are always surprised.

In November 1981, Fred Hoffman of the AP learned that Oman did not want a sizeable landing in its territory by the U.S. Marines during a military exercise called Bright Star. His revelation infuriated the Marine Corps high command. Hoffman, who has covered the Pentagon for over 20 years, replied, “I’ve never used anything that I think might endanger our security. Obviously the Marine commandant disagrees. But we’re not at war with the Omanis.”

Likewise, George C. Wilson’s 1982 articles that so upset Caspar Weinberger and Carlucci when they read them in the *Post*—a high budget estimate, a strategy for prosecuting draft resisters—were merely embarrassments, not threats to the national security. Defense “secrets” may be harder to define than to recognize. If given a list of candidates for such categorization, my hunch is that Pentagon reporters and Pentagon officials would agree over 90 percent of the time: presence or absence of nuclear weapons locations; operational deployments of ships, troops, and aircraft (except during exercises); contingency operations plans, and so forth. In this respect, the Pentagon reporter is less taxed than the reporter at State, where there would be little agreement over whether that Department’s stock-in-trade, diplomatic bargaining chips, are national security secrets. It is ambiguity, not patriotism, that separates reportage on these beats.

For those who learn to navigate the Pentagon’s corridors, the very vastness of the place works to the reporters’ advantage. “If someone is promoting the M-1 tank, there are plenty of people around who will tell you what’s wrong with the M-1. No trouble finding them,” says Richard Halloran of the *New York Times*.

In most cases what you seek is there, your job is only to find it.

Some 34 reporters regularly move through the Pentagon corridors. They are the most specialized press corps in the Golden Triangle, representing such publications as *Armed Forces Journal*, *Aerospace Daily*, and *Air Force Magazine*. The office of the news division at the Pentagon is a large space without partitions. Reporters stand around the press officers’ desks. Press officers wander in and out of the newsroom, which is across the corridor. The press office has a bank of TV sets tuned in to each network (with the sound off) and a board that lists deadlines: COB [close of business]

Thursdays for *Aviation Week*; 1 p.m., *Christian Science Monitor*; 6 p.m., *Los Angeles Times*. (At the State Department the press officers and the reporters are also on the same floor, but on different corridors. Only three times in three months did I see a press officer in the newsroom. There are no TV sets or notice of deadlines in the press office. The State Department press officers' offices have doors.)



Reporters at the Pentagon are more likely to be ranked in a hierarchy based on their competency, rather than on the medium for which they work. The reason this is possible is a remarkable daily document called *Current News*. It is nothing more than a clip sheet—most government agencies have them—but this one is so complete (45 newspapers, TV transcripts, and more than 120 magazines) and so widely circulated (7,000 copies) that it acts as an equalizer, assuring that the reporters—regardless of whom they write for—will be read by their sources. (At State, each unit clips for its own purposes and rarely reaches beyond a handful of papers, thus furthering the inequality among news outlets; at the White House, a substantial amount of news is “summarized”—not clipped—which means that its usefulness is as a quantitative assessment of what the press is covering and it is irrelevant in terms of the relationships between reporters and sources.)

Pentagon reporters in 1981–82 turned out to be the least complaining of all, and those who did complain were usually newcomers and/or worked for fringe operations. How to explain the change from the anger and distrust of the Viet Nam war years?

One theory is that things really have changed. From

a military press officer: “There was so much bad blood—on both sides. We briefed every day and it was hot. *It was hot*. They didn’t believe anything we said. Actually, this was good in the long run.” From an experienced reporter, but not someone who had been at the Pentagon during the war: “Viet Nam taught them that they can’t have second-rate people in PA [Public Affairs]. These are [now] all people who could do well in other places, they’re not rejects.” There also have been reorganizations. Yet I doubt that changes in personnel and an improved configuration of boxes on a chart explain much.

A distinguished general, now retired, has a single explanation: “War is our action time.” In wartime the military services close ranks, secrets become synonymous with national security, and there is less tolerance for the press’ role as critic. And, of course, unpopular wars can make the Defense Department very defensive.

Leaks and Ideology

While most Washington reporters and their sources almost seem to enjoy the fight over what should be a reasonable accommodation between secrecy and access, the Reagan administration suddenly turned up the decibel level of this controversy when at his news conference of January 19, 1982, the president announced that leaks had “reached a new high”—a claim that is probably correct.

Leaks of any value rarely come from the bureaucracy. (The exceptions are of the whistle-blowing variety that some frustrated civil servant may drop through a reporter’s transom.) The policy-and-personality leaks that so disturb presidents come from their own appointees. Presidents have a right to try to conduct their internal business in an orderly manner and to try to time their moves to their advantage. Their views of what is the national interest may not be apolitical or correct, but they have been elected to receive greater consideration than the views of any other individual.

Why Mr. Reagan’s appointees have been the most gabby is a useful speculation if future presidents are going to appropriately control leaks, that is, by appointing persons who are least likely to say things to reporters that are not in their president’s interests, rather than by using lie detectors. The territory surrounding the secretaries of state and defense and the national security adviser always will be an institutional minefield. Reorganization schemes really make no difference. Perhaps big egos also come with the territory. But presidents (not just Ronald Reagan) do not pay enough attention to personality factors in constructing this keystone relationship of their administration. Certainly the clash between Haig and Richard Allen was predictable. And while some presidents might wish to create this kind of tension, Mr. Reagan clearly did not.

Moreover, I suspect, the number of leaks is in direct proportion to the amount of ideology that an administration brings to Washington. A deeply held conviction is a key ingredient in producing leaks. For presidents, however, it is easier—politically and emotionally—to blame the press. 13

Balancing Soviet Power in the Persian Gulf

How could Soviet forces threaten
U.S. interests in the region? American planners need
a clear answer before formulating strategy.

Thomas L. McNaugher

THE REVOLUTION IN IRAN fundamentally altered the strategic situation in the Persian Gulf region. Under the shah, Iran sat as an apparently stable, relatively powerful pro-Western buffer between the Soviet Union and the other Gulf states. The United States was able to count on the shah's army as a "regional policeman" as well as a first-line deterrent to Soviet aggression, and could expect to use bases in Iran to enter the Gulf region in a crisis. This convenient situation dissolved abruptly when the shah left Iran in January 1979.

That event, coupled with the Soviet invasion of Afghanistan less than a year later, raised considerable fear in the United States of a Soviet military threat to Iran and the surrounding oil states. Driven by their own need for oil or by their desire for leverage over oil-dependent Western powers, the Soviets were expected to drive across their southern border toward the Iranian oil fields at Abadan. Rugged terrain, and perhaps angry Iranians, might slow the invading forces, but were not expected to alter their course or change their objective. Such became—and for many remains—the "worst case" scenario for American thinking about the Soviet threat to the Gulf.

With this threat principally in mind, American policy makers set out soon after the Soviets invaded Afghanistan to shore up the U.S. position in the Gulf. President Carter announced his doctrine less than a month after the invasion began. Although planning for rapid deployment of U.S. forces had begun early in the Carter administration, serious interest and budget allocations rose only after the president established the command headquarters for a "Rapid Deployment Joint Task Force" (RDJTF) in March 1980. Meanwhile American diplomats began scouring the region in search of bases among regional friends less willing than the shah to deal openly with the United States.

The three years since this activity commenced have seen no Soviet move into Iran; indeed, as it has consolidated its position in Iran the revolutionary regime there has become almost as anti-Soviet as it has been anti-American. On the other hand, three years is not an especially long time, given the development cycle of modern weapons and the pace of diplomacy, in which to develop a response to the perceived threat. Still, U.S. and allied interests are not the subject of development cycles; the need to "rebalance" Soviet power in the Gulf region has confronted American planners since the shah fell from power.

Thus it is worth asking what the United States has done so far, and what present programs are likely to yield in the future. Such an evaluation must begin, however, with an assessment of just what kind of military threats Moscow can pose in this region, how likely they are to occur, and how dangerous they may be to U.S. interests.

The Soviet capability to project force around the Gulf rests mainly on the forces Moscow has deployed for some time in the military districts that lie along its border with Iran. There are over 20 divisions in these districts: two airborne, one armored, the rest motorized rifle. Most remained at low levels of readiness even after 1979, suggesting that this particular theater is still of lower priority than Europe or the Sino-Soviet border. There is considerable military potential here, but it would become available only after a period in which low-grade units can be fully manned and trained.

Not surprisingly, the time required to mobilize these forces has been hotly debated in the United States, with a consensus emerging that it would take three to four weeks. But the focus on a single number miscasts the issue. The Soviets mobilized forces for the move into Afghanistan—a relatively easy operation, involving only five or six divisions, Soviet troops already in Afghanistan, and the expectation of little resistance—in slightly less than a month. Preparation for the invasion of Czechoslovakia in 1968, by contrast, seems to have taken three months. Thus mobilization is likely to vary substantially with how far Soviet commanders expect to go and how much resistance they expect to meet.

Soviet ground forces north of Iran are supported by over 800 aircraft deployed in the southern military districts and Afghanistan. Since 1979 the Soviets have shifted the mix of aircraft from air defense to ground attack, while airfields have been upgraded. Effective coverage of these air assets varies with type of aircraft, payload and flight profile. Under optimum assumptions the longest range attack aircraft in these armies, the SU-24 Fencer, would have a radius of about 800 miles, while the need to fly demanding combat profiles might cut this radius in half. In either case, Soviet air coverage falls short of the northern end of the Gulf. To cover operations around Abadan the Soviets would have to move their aircraft to bases further south.

Soviet forces in Afghanistan—about 100,000 soldiers and supporting air elements—add an additional di-

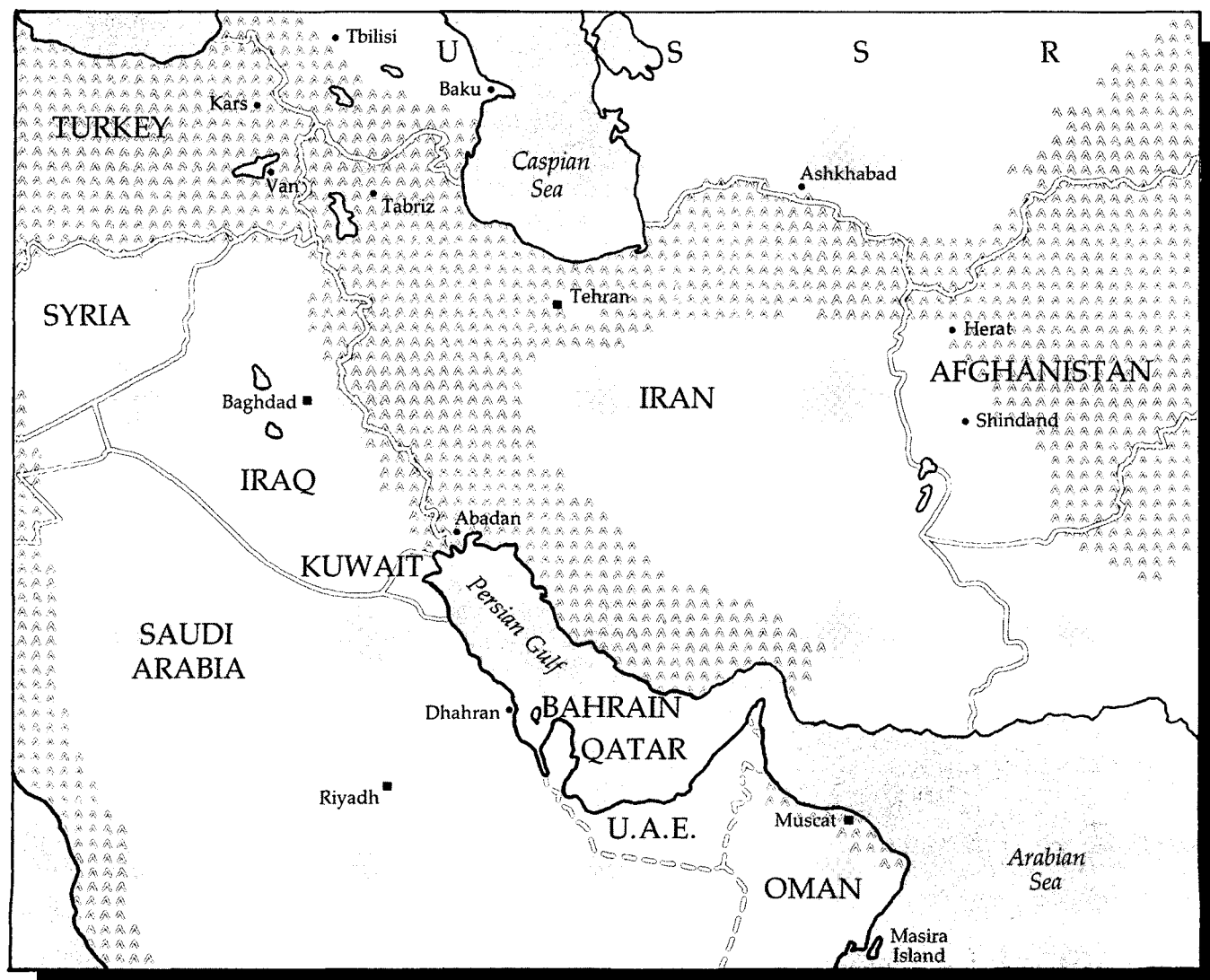
mension to Soviet capabilities useful around the Gulf. Theoretically, these give Moscow the potential to push through Iran's relatively flat plateau region to the Strait of Hormuz. In practice, Soviet units in Afghanistan are fully occupied there, and the long logistics line needed to support operations into Iran is not likely to be defended easily. Until the military situation there improves, Afghanistan's usefulness to Soviet power projection will lie in air bases like the one at Shindand, which would allow Backfire bombers to extend their screen against U.S. naval power that much further into the Indian Ocean.

Although the two airborne divisions above Iran would probably lead any advance into that country, they must also be seen as part of a centrally controlled, seven-division airborne force that could be used "preemptively" around the Gulf in moves designed to beat U.S. forces to key regional objectives and thus deter American action, or simply to support local governments on request. Soviet airlift can move two airborne divisions simultaneously (if dedicated solely to this action) to a distance of about 600 miles, further still if intermediate basing were available. Smaller units could be lifted to virtually any point around the Gulf. Such operations are of course very risky; they court

an American response, and are exceptionally vulnerable in their early stages to air interdiction by U.S. or local aircraft. Thus while Soviet airborne operations represent a real and worrisome capability, they are more likely to be used in response to an invitation than coercively or preemptively.

However much the Soviet navy has grown over the past two decades, it still is likely to play a supporting role to land-based and airborne forms of military power. Soviet naval infantry was not designed for long-range force projection, cannot be supported at those distances, and would in any case take a long time to arrive. The Soviets are much more likely to use their airborne units in this role, with their navy providing a seaborne air and coastal defense screen if needed. The Soviet navy also might play an active role in countering U.S. forces sent to the Gulf, a mission that is likely to fall principally on land-based naval air (Backfire bombers) and submarines.

Taken together, Soviet ground, air, and naval forces give Moscow the potential to mount the much-vaunted drive to Abadan. But to pull it off the Soviets would have to mobilize all their units on Iran's borders and bring down supporting units from their central military districts. Meanwhile, Iran's rugged terrain would make



the operation extremely difficult. The advance of all but very light forces would be confined to the extremely limited network of steep and narrow roads from the Soviet Union into Iran. This would canalize and slow the advance, and hamper resupply. The need to move Soviet tactical aircraft south as the advance proceeded would tax Soviet supply lines still further. The example of Afghanistan suggests that in this kind of terrain local resistance could be very effective.

Rather than a smooth march to the Gulf, a major Soviet attack into Iran would probably occur as a series of steps, as Soviet forces advanced on the support they could carry, halted long enough to bring down their logistics infrastructure, and then moved off again. Because forces would be needed to secure flanks, airfields and infrastructure, only a small portion of the units deployed above Iran would be available at Abadan. How many units, and how long they would take to get there, would depend heavily on the degree and kind of resistance they met along the way.

Shorter hops into Iran would be easier to mount. They would demand fewer Soviet forces than the drive to Abadan, thus reducing mobilization time, especially if Moscow relied heavily on airborne units. They would occur under the cover of aircraft based in the Soviet Union, and this plus the reduced distances involved would substantially ease logistics problems. There is historical precedent for such attacks in Soviet activities in Iranian Azerbaijan and Kurdistan at the end of World War II, and political circumstances motivating and rationalizing a Soviet move into this region are more easily conceived than those that could rationalize a drive to the Gulf. Indeed, another phase of Iran's revolution or a series of events in northern Iran akin to those occurring in Afghanistan in 1979 might provide a purely defensive rationale for the attack.

But is such an attack any less dangerous to American interests for being limited? Such a move would extend Soviet air coverage over Abadan and the northern half of the Gulf. It would bring the Soviet logistics infrastructure over the first range of Iran's mountains and facilitate later moves further into Iran. Soviet forces would effectively flank Turkey (and hence NATO's southern border), control the most densely populated portion of Iran, and be in a position to bring greater pressure to bear on Iraq.

Significantly, Iran's oil wells would go untouched in this scenario. But Western interest is in the flow and price of oil, not its source. To the extent that a limited Soviet attack would yield greater leverage over the key regimes whose choices affect the flow of oil, it would yield increased Soviet leverage over Western interests.

U.S. Capabilities: The RDJTF and CENTCOM

The United States created no new combat forces to meet the threats Moscow can pose in the Gulf region. Rather, one Marine Amphibious Force, three Army divisions (the 82nd Airborne, 101st Airmobile, and 24th Mechanized), a variety of smaller combat and supporting units (totalling over 200,000 men), and seven tactical fighter wings (approximately 500 aircraft) from the Air Force and the Air National Guard were

allocated to the RDJTF headquarters for planning, and for operational control as required during actual crises. Elements of a carrier task force were made available to support the force as required.

In January 1983 the RDJTF was converted to Central Command (CENTCOM), a "unified" command reporting directly to the secretary of defense. Supporting naval forces were increased to include elements of three carrier battle groups, but the U.S. Navy will retain control of these forces as well as U.S. Marines until they go ashore. During 1983 CENTCOM will grow to include five Army and two Marine Corps divisions, plus the equivalent of ten tactical air wings. The command apparently will go alternatively to Army and Marine Corps generals. CENTCOM's control over its forces is actually slightly looser than that enjoyed by the RDJTF, although no more so than is the case with several other unified commands.

Shifting forces among commands is a good deal easier than actually getting them to the Gulf, given the legacy of 20 years' neglect of U.S. strategic lift requirements, the antipathy of friendly states in the Gulf region to American basing there, and the fear in the United States itself that efforts to acquire a presence in the region might destabilize friendly regimes. At the time of the RDJTF's creation the U.S. had no fast sealift. It had airlift sufficient to move a battalion of the 82nd Airborne Division to the Gulf in 48 hours, a brigade in two weeks and an entire division in a month (assuming airlift did not go to competing missions, such as moving Air Force basing equipment). U.S. basing close to the region consisted primarily of Diego Garcia, 2,000 miles from the Gulf, and the NATO base at Incirlik, Turkey. No equipment or stocks were prepositioned to support incoming forces. The U.S. military presence in the region was carried by the Navy, whose Indian Ocean fleet had been enlarged from one to two carrier battle groups during 1979 (it has since returned to one group, with intermittent visits by a second).

To improve this situation the United States took steps to bolster the capacity and efficiency of its strategic lift. The RDJTF benefited from the C-141 "stretch" program, begun earlier in the 1970s and completed in 1982, which increased the capacity of and added in-flight refueling capability to the U.S. Air Force fleet of 279 C-141s. To enhance refueling further, the Air Force accelerated the purchase of KC-10 tankers. A program to procure 50 C-5Bs between 1982 and 1988 will increase by over 60 percent the size of its fleet of "outsize" cargo aircraft. Since 1980 the United States has reached agreement with Egypt, Morocco, and some European allies (but not Portugal, with its critical Azores facilities) for use of airbases for refueling, thereby seeking to maximize the load each aircraft can carry to the Gulf.

Meanwhile, the U.S. Navy has purchased 8 SL-7 fast deployment container ships, which should be ready for use by 1986, after conversion to roll-on/roll-off configuration. These ships will be capable of moving a mechanized division to the Gulf via the Cape of Good Hope in less than three weeks, though it will take about ten days total to load and unload ships. There have been no new procurement initiatives for



normal cargo ships. Given time to mobilize the Merchant Marine and National Defense Reserve Fleet (NDRF), the Navy feels it has enough cargo capacity to support major operations around the Gulf.

A second set of initiatives designed to facilitate rapid deployment of U.S. forces to the Gulf has involved prepositioning equipment in the region. In the summer of 1980 the U.S. Navy leased seven "Near Term Prepositioning Ships" (NTPS), loaded them with equipment for a Marine amphibious brigade and reserve stocks for some U.S. Air Force fighter squadrons and some Army units, and anchored them at Diego Garcia. It also began to purchase "Maritime Prepositioning Ships" (MPS), aiming ultimately for 12 ships by 1987, sufficient to house equipment and 30 days' supplies for three Marine brigades. The NTPS program has given the RDJTF the capability to put a Marine brigade ashore in about 48 hours, though only at fairly well-equipped ports. The MPS will be capable of moving a division ashore using its own off-loading equipment. In both cases soldiers will be airlifted to the region and meet their equipment there. Neither fleet will be capable of amphibious assault against hostile shores.

Other prepositioning initiatives include the storing of U.S. Army war reserve stocks at Diego Garcia, with plans to store more at Masirah, Oman, and at Ras Banas, in Egypt, should plans for that base come to fruition. The Air Force also plans to store spares and munitions at Masirah and Ras Banas, in addition to using ships of the NTPF. The four AWACs aircraft deployed to Saudi Arabia at the onset of the Iran-Iraq war constituted, among other things, forward deployment of some air defense assets to a critical base in the Gulf itself.

To some extent U.S. arms transfer policy has been used as a surrogate for prepositioning, especially in the Saudi case. By agreement, the United States will

have access to information from AWACs aircraft even after they come under Saudi control. The Saudis have a relatively large and growing inventory of sophisticated American-made air-to-air and air-to-ground munitions. They have purchased F-15 spares and maintenance sets in larger quantities than required for their F-15 fleet. Reportedly, they may purchase an unusually large number of U.S. M-1 tanks with CENTCOM use partly in mind. The airbase at Dhahran is large and well-stocked with fuel. All of this would substantially ease the projection of U.S. forces to the interior Gulf. Similar stocking at the airbase at King Khalid Military City, now nearing completion, would give U.S. air power excellent coverage of the northern Gulf and Iran.

But coverage would depend on Saudi willingness to allow the United States to use their bases. Such use is not guaranteed in the Saudi case, or in the case of other regional powers, all of which are reluctant to allow the United States unrestricted use of bases on their territory. Even Egypt, a close partner to the United States in the Middle East peace process, has been unwilling to clarify arrangements for the use of Ras Banas sufficiently to satisfy Congress, which in fiscal year 1983 held up half of the requested funding for base construction there.

The United States has no choice but to accept these arrangements, and a third set of RDJTF-related initiatives has produced agreements for "contingency access rights" to a variety of airfield and port facilities in Oman, Somalia, and Kenya. These will ease naval support and rapid deployment problems along the Indian Ocean littoral. U.S. right of access to Saudi bases is the subject of understandings but not explicit agreement. American use of any of these bases will require the host country's permission.

In the fall of 1982 the United States reached agreement with Turkey for air basing there as well. Part of a larger arms aid package established within the context of Turkey's role on NATO's southern flank, this agreement allows the United States to build NATO air bases at Konya, Van, and Kars in eastern Turkey. As NATO bases lying on the flank of any Soviet move into northern Iran, these will have considerable deterrent as well as operational utility. Given their proximity to the Soviet border, however, they will have to be built up, stocked, and defended substantially before they will be of much use. The Turks have insisted that these bases are strictly for NATO use, although a Soviet thrust into Iran along Turkey's eastern border might be construed as a NATO problem. Still, access to these bases is not guaranteed under all circumstances.

Strategic lift, prepositioning, and basing initiatives already have improved U.S. rapid deployment capabilities, most notably by prepositioning U.S. Marine Corp equipment near the Gulf. But clearly the full effect of these initiatives will not be felt until late in the decade, assuming acquisitions and base improvement programs are completed close to schedule. At that point the CENTCOM commander should have the capability to deploy three to four of the divisions currently allocated to his command in about a month, taking advantage of the prepositioned division equipment and delivering one or two more divisions by air,

a fourth by fast sealift. Meanwhile, bases in Turkey would presumably come on line, bringing U.S. air power close to the Soviet border with Iran. These would constitute major improvements in American capabilities, albeit largely because the point of departure was not an impressive one.

It is too early to know just how much more political energy will go into the CENTCOM, or whether the current energy will be dissipated, as has been the case in previous American attempts to enhance its rapid deployment capabilities. Assuming the force acquires no new ground units, it still could use more strategic lift. Yet the U.S. Navy has no plans to buy more fast sealift, while the U.S. Air Force C-17 program remains vulnerable politically. The preference among some members of the present administration for bringing forces to bear all around the Soviet periphery may distract attention from demanding requirements in the Gulf, and ultimately undermine further work on force projection capabilities for that region.

Diplomacy, Deterrence, and the "Worst Case"

It makes no sense to compare American and Soviet forces available for Gulf contingencies without recognizing at the outset that the U.S. ability to project force to the region is heavily dependent on the availability of basing. Lacking access to bases in the interior Gulf, U.S. force projection is likely to consist almost entirely of naval air power centered outside the Gulf itself. While this might be useful in deterring long-range airborne operations, naval air alone would not be able to sustain an air interdiction campaign over the mountains of Iran. The deployment of Marines in the interior Gulf would be feasible, but exceptionally difficult without access to bases there.

Under these conditions Moscow has every incentive in a crisis to encourage Turkey and the Gulf states to deny U.S. forces entry. For the United States, winning this initial diplomatic battle would be a necessary prelude to engaging in the military battle. In this sense, good Middle East policy—continued attention to the Palestinian issue, sensitivity to domestic political constraints among Gulf regimes, and so forth—is an essential underpinning of U.S. military policy.

Even assuming access to basing, few would be willing to say on the basis of this force comparison that the United States will ever be capable of defeating the Soviets in Iran. Indeed, the attempt to win in Iran would seriously deplete the pool of forces available for use in Europe, inviting trouble there. The only feasible U.S. military strategy is one of deterrence. In an era of nuclear parity this involves more than a "trip-wire" force, given the need for flexibility and credibility at the conventional level. Rather, a deterrent force is one large and capable enough to promise the Soviets a significant increase in the costs and risks of their military operations in Iran.

Forces now allocated to CENTCOM are certainly

adequate for this mission, especially if they take full advantage of Iran's mountainous terrain. They will not lower the risk of Soviet aggression to zero. But given the continuing low readiness of Soviet forces above Iran and the secondary importance of this theater in comparison to Europe and the Sino-Soviet border, it is not clear that a major investment in additional American forces and lift would produce commensurate reductions in risk. Moreover, to the extent that a U.S. buildup raised Soviet concern for this theater and resulted in improved readiness and capability in the southern military districts, it might on balance make the military problem still less tractable.

In any case, if deterrence is the strategy, force size is no more important than speed, positioning, tactics and support. These requirements in turn vary dramatically with assumptions about the Soviet threat. It is one thing to deploy, support and provide air cover for forces defending Abadan. It is quite another to do these things to the north, in an effort to deter more limited Soviet moves toward the Gulf. As operations move closer to the Soviet Union, affordable response time decreases, logistics requirements increase, strategic lift problems grow more complicated, and ground force operations become more difficult to coordinate.

The diplomatic challenge also becomes more demanding. While access to regional basing may be crucial to virtually any effort to project American forces beyond the southern fringes of the Gulf, its importance increases with the requirement to deter the Soviets near their border with Iran. Bases in Turkey are obviously well placed for dealing with any Soviet move into Iran, but they are absolutely essential to keeping Soviet forces within their present border. Likewise, the projection of ground forces into central Iran will place relatively high demands on Saudi bases as well as on the need to obtain the neutrality, if not the active support, of the Iranians themselves.

But the major diplomatic challenge has to do with the Soviet Union itself. The Carter Doctrine gave no geographic definition of critical American interests around the Gulf. Extensive focus on the Abadan scenario implicitly suggests that U.S. concern extends only a short distance beyond Iran's oil fields. If in fact that concern extends to all of Iran, then American and Soviet diplomats have something to talk about. Iran is potentially unstable, it lies along the Soviet border, and Soviet forces have entered it from the north before. The possibility for misunderstanding is great, and the consequences would be very serious indeed.

The need to balance Soviet power in the Persian Gulf region challenges the United States to do the things it traditionally does not do well. Militarily, the United States must remain committed to buying strategic lift and support, though historically these have been among the first items sacrificed to the budget cutter's knife. Diplomatically, it must be tactful, sensitive, and consistent in its dealings with the Gulf states, though these have not often been hallmarks of American foreign policy, especially in this part of the world. And to guide military policy and diplomacy, U.S. planners need to rethink the Soviet military threat in the region in search of a consensus on what is likely and what is dangerous to American interests. B

Thomas L. McNaugher is a research associate in Brookings' Foreign Policy Studies program. Portions of this article appeared in "Rapid Deployment Forces and the Persian Gulf," *Strategic Survey* 1982-83, International Institute for Strategic Studies, London.

Deregulation and the Railroads

The closely regulated railroad industry has had difficulty adjusting to changes in its market environment in recent decades and has suffered from deficits, bankruptcies, deteriorating services, and even some nationalization. In response to criticisms that regulation by the Interstate Commerce Commission aggravated the industry's financial difficulties, the federal government enacted dramatic changes in rail regulatory policies in 1976 and 1980.

Have the recent policy changes been successful, and are more changes called for? Theodore E. Keeler answers these and other questions in *Railroads, Freight, and Public Policy*, the twentieth book in the Brookings series of Studies in the Regulation of Economic Activity.

In his analysis of the economic effects of regulation before and after the 1976 and 1980 reforms, Keeler considers the efficiency and distributional effects of rail rate regulation and the abandonment of rail lines by some firms and entry into routes by others. He discusses taxation and subsidization policies, antitrust policies toward rail mergers, and labor policies, and he offers recommendations designed to ensure a secure role for railroads in the U.S. economy in the future.

Keeler, professor of economics at the University of California, Berkeley, was a Brookings senior fellow in 1980-81 and a guest scholar at Brookings in 1981-82 while working on this book.

In a brief history of railroad regulation, Keeler reviews the development of state regulatory laws in the 1870s and 1880s, the Interstate Commerce Act of 1887, the Transportation Acts of 1920, 1940, and 1958, and the reform legislation of the 1970s.

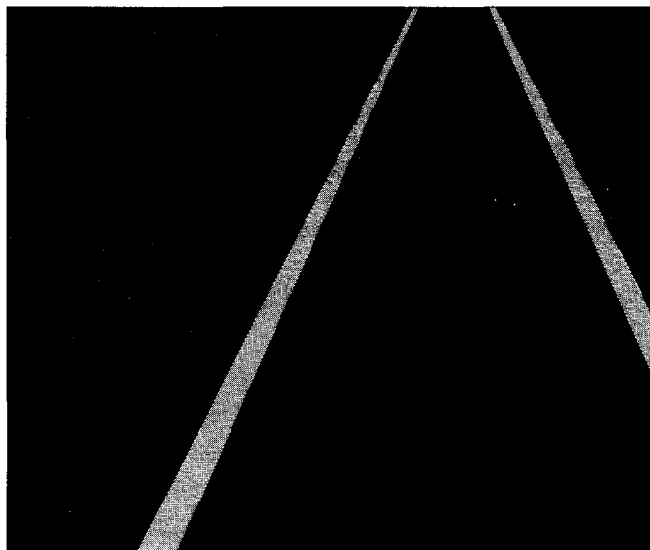
The policies of the late 1800s worked well as long as railroads had a virtual monopoly, Keeler says, but the advent and growth of highway, barge, and air transportation forced changes in regulation. "The story of regulatory policies from 1920 to the present," he says, "indicates continuous and generally inadequate attempts" to move from a system of rail monopoly to one handling competitive systems. The setting of minimum rates, ICC control of entry into and exit from rail routes, promotion of mergers among railroads, subsidies, and other controls, failed to stave off the decline of the railroad industry in the three decades following World War I.

***Railroads, Freight, and Public Policy*, by Theodore E. Keeler. February 1983. 180 pages, \$9.95 paper, \$24.95 cloth.**

Further difficulties in the 1950s led to the Transportation Act of 1958, which alleviated some problems for a time. By the early 1970s, after the Penn Central and other railroads in the Northeast went bankrupt, Keeler says, it was evident that more legislation was urgently needed for the railroad industry. Then, he says, "the most dramatic changes in public policies toward rail transportation since 1887" took place. These started with the formation of Amtrak in 1971 and continued with the Regional Rail Reorganization (3R) Act of 1973,

the Railroad Revitalization and Regulatory Reform (4R) Act of 1976, and the Staggers Rail Act of 1980.

The 3R Act established the U.S. Railway Association, an agency formed to plan the reorganization and transition to public ownership of railroads in the Northeast. Conrail was formed from Penn Central and several other bankrupt Northeastern roads in 1976 and federal subsidies for its operation began. But "by 1976 it was evident that the railroad problem went beyond the Northeast," Keeler says, and the 4R Act was passed. Its aims were to provide government subsidies and reform regulation, but neither the railroads nor federal policymakers were satisfied with its effects: bankruptcies continued, Conrail continued to lose money, and rate-setting problems remained.



In the late 1970s, pressure mounted for further deregulation, and in 1980 the Staggers Rail Act was passed. Its goals include assisting rehabilitation under private ownership; reforming regulatory policy to achieve an efficient, economical, and stable system; and providing the regulation necessary to balance the needs of carriers, shippers, and the public.

While it is not yet possible to provide a full evaluation of the economic effects of deregulation, Keeler says that tentative inferences can be drawn. Profitability in the industry was better in 1980 and 1981 than at any time in over 25 years, he points out. The more prosperous firms may actually be earning what an investment of equivalent risk could earn elsewhere in the economy, and firms that were only marginally viable are now approaching financial viability.

Deregulation also allowed increases in rates, which rose some 5-6 percent; this, together with a shift in commodity mix toward more profitable commodities, aided profitability.

And the effects of deregulation on abandonment of unprofitable rail lines are unambiguous, Keeler says. Bankruptcies and liquidations of several firms have left the remaining roads in better financial condition, and the industry's finances have probably been helped by more permissive policies toward abandonments.

Keeler adds that there are still unresolved questions in regulatory policy, the most important of which concerns the transport of coal, rates for carrying it, and entry of new carriers into the market, as well as other nonregulatory public policies. He discusses a number of them—taxation and subsidy policies, merger policies, labor practices, other forms of institutional restructuring, and better management.

Keeler concludes his study with several recommendations. The most important policy change needed, he says, is the elimination of common carrier obligations to provide unprofitable services. The Staggers Act of 1980 already contains provisions that would allow this to happen, he says, and the change has begun to take place.

Another policy change is in the area of maximum-

rate regulation. Keeler recommends that rates be allowed to rise in stages while their effects on the industry's return on investment are monitored. At the same time, this procedure should assure that increases are not used to support money-losing services.

Keeler also recommends that rail firms be allowed to "rationalize" their operations—tailor their services to what they can do best and set rate structures and levels to match economic costs and incentives. If they can do so, he says, the industry should be able to handle a substantial amount of freight without public subsidies. "Freed of its medieval shackles of common carrier service obligations," Keeler concludes, "the railroad industry should continue to play an important and profitable role in the U.S. economy for many years to come."

Papers on Economic Activity

In the lead article of the latest volume of *Brookings Papers on Economic Activity*, Brookings Senior Fellow Barry Bosworth dispels some currently popular notions about capital formation and the role it plays in productivity growth. He shows that investment and capital formation were relatively strong during the 1970s. Weak investment cannot have been the source of the poor productivity performance of recent years.

Bosworth shows that the economic policies of the first two Reagan years—tight money and large, high-employment deficits—are the reverse of a strategy for high investment. The traditional and, in his view, appropriate policy combination would provide lower interest rates as an incentive for investment and smaller high-employment deficits, or surpluses, to provide the matching saving.

Brookings Papers on Economic Activity, 2:1982, William C. Brainard and George L. Perry, editors. February 1983. 240 pages, single copy \$9.00.

In the second article of the journal, Edward M. Gramlich of the University of Michigan analyzes the likely consequences of the "New Federalism"—the Reagan administration's plan for shifting responsibilities to state and local levels for "income-support programs" and for activities supported by "categorical grants."

Four shorter reports in this issue of *Brookings Papers* cover a range of topics: the likely consequences of decontrolling gas prices, financial problems arising from high interest rates and recession, evidence on

the productivity slowdown, and the relationship between bankruptcy and corporate financial policies.

Richard N. Cooper of Harvard University examines the economic costs and benefits that would result from immediate and full decontrol of gas prices. Following decontrol, Cooper says, the average price of gas would rise substantially above the long-run price for an extended period. As a result, gas deregulation would lead to a combination of unfortunate outcomes: more inflation, loss of output and employment, redistribution of income from consumers to producers, and, possibly, an increase in oil imports.

Senior Fellow Andrew S. Carron analyzes the financial problems that struck U.S. firms and financial institutions in 1982. He finds that financial conditions last year, arising from high interest rates and a deep and protracted recession, were worse in most respects than those experienced in any previous postwar period. He reports that the Federal Reserve has played a lead role in both the development and resolution of problems in financial markets.

Martin Neil Bailly, also a Brookings senior fellow, looks for new evidence on the productivity slowdown by examining the performance of individual industries. He finds some evidence that unexpected "obsolescence of capital" may have contributed to the slowdown.

Finally, Roger H. Gordon of Bell Laboratories analyzes the relation between interest rates and business bankruptcies. According to Gordon, the high interest rates that accompanied rising inflation during the 1970s led firms to make greater use of debt finance. The higher debt, in turn, increased the probability of bankruptcy when the economy went into recession.

Discussing Prices and Quantities

Nobel prize winner James Tobin has edited a new Brookings book entitled *Macroeconomics, Prices, and Quantities*, a series of essays in memory of economist Arthur Okun. Tobin is professor of economics at Yale University and a member of the Brookings Panel on Economic Activity.

The book is devoted to a discussion and elaboration

of Okun's theories and policy prescriptions as outlined in his posthumous book, *Prices and Quantities: A Macroeconomic Analysis*, published by Brookings in 1981. Okun had hoped that his work would stimulate just such discussions on both macroeconomics and microeconomics and specifically on methods of fighting stagflation.

In *Prices and Quantities* Okun attempted to explain the perplexing coexistence of high inflation and high unemployment, often called stagflation. He predicted that the economic cost of moderating inflation by relying exclusively on general monetary and fiscal policies is very large. Okun believed that inflation could be substantially reduced by a combination of government cost-reducing measures, such as cutting indirect taxes and eliminating unnecessary regulations, and some form of government-sponsored policies to slow the growth of wages and prices.

The first installment of the discussion Okun hoped to provoke is provided by the essays in this new volume edited by Tobin. The essays follow the general pattern of Okun's book. Martin Neil Baily and John B. Taylor deal with the relationship between employers and workers—Baily with the effect of the implicit contracts between them during the Depression, and Taylor with the role of expectations in such contracts. Two papers deal with product markets: Robert J.

Gordon focuses on the stickiness of prices and wages in three countries; Guillermo A. Calvo and Edmunds Phelps examine equilibria in markets where information about prices and quantities is scarce.

Macroeconomics, Prices, and Quantities: Essays in Memory of Arthur M. Okun, edited by James Tobin. March 1983. 305 pages, \$9.95 paper, \$24.95 cloth.

The fifth and sixth papers are on asset markets. Benjamin M. Friedman questions whether credit as well as asset aggregates should be considered in the formulation of monetary policy; Lawrence H. Summers analyzes the long-term response of interest rates to inflation. In the seventh paper, William D. Nordhaus discusses macroeconomic theories and whether they can help explain and devise solutions for problems such as chronic inflation and high unemployment.

The book ends with contributions by Robert A. Mundell and James Tobin on macroeconomic policy.

HMOs: the Promise, the Performance

In devising a plan for support of Health Maintenance Organizations (HMOs), the federal government never identified the practical middle ground between a good idea and a good strategy. The result is a program that has failed to achieve its ambitious objectives. This is the conclusion reached by Brookings Senior Fellow Lawrence D. Brown in his new book, *Politics and Health Care Organization: HMOs as Federal Policy*.

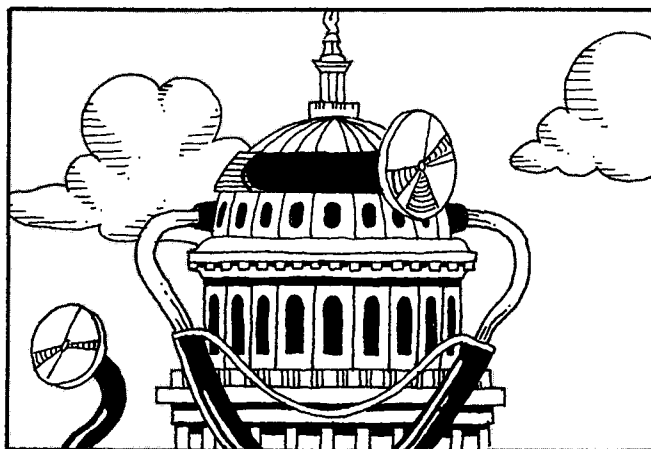
HMOs combine prepayment by patients and group practice by physicians on the theory that, by offering comprehensive medical services within a fixed budget, they will hold down costs both by being efficient themselves and by exerting competitive pressure on the traditional fee-for-service system. The aim is to control health-care costs by using market incentives.

In this detailed study, Brown examines the promise and performance of HMOs as a federal policy instrument. He explains the central problems of organizational formation, management, and performance, and then asks what the political process has done for or to the HMO strategy. Brown analyzes the legislative-executive struggle over what became the HMO law of 1973, the administration of that law by the federal bureaucracy, and the attempts to revive the program in the late 1970s. Finally, he explores the relations between policy and politics and evaluates the future of HMOs in both the political arena and the health care system.

Politics and Health Care Organization: HMOs as Federal Policy, by Lawrence D. Brown. January 1983. 532 pages, \$16.95 paper, \$33.95 cloth.

The program that emerged from the legislative process bore little relation either to the original proposal of the policy analysts or to the experience of existing health plans. The explanation for the slim accomplishments of the federal HMO effort lies in the poor fit between politics and policy, according to Brown. Both

the attraction and the weakness of the HMO strategy is that it introduces fundamental changes in the organization of the health-care system. But, as Brown shows, fundamental reorganization is very difficult in a political system as decentralized as that of the United States. The HMO program became the scene of a protracted government-industry clash, complicated by



contradictions in the law that virtually assured that HEW's administration of it would fail.

The HMO experience illustrates the limitations of policy analysis as a guide to formulating public policy. What was needed, Brown asserts, was not arcane analytic skills but rather "a combination of common sense and qualitative understanding of the workings of health care institutions in the United States."

By the end of the 1970s, HMOs enrolled only about 4 percent of the population in 235 organizations. Even with serious efforts to promote them, the institutional forces that stymied HMO growth in the 1970s will probably continue to deprive this attractive concept of a firm organizational base.

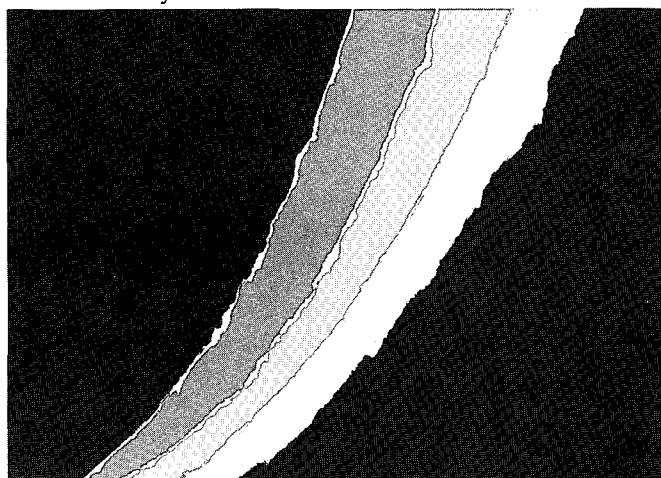
Setting National Priorities

Unless real progress is made in reducing federal deficits, fiscal and monetary policies will clash once again, interest rates will rise, and economic recovery will be aborted, say the authors of Brookings' annual analysis of the federal budget.

Writing in *Setting National Priorities: The 1984 Budget*, the authors say that the budget problem now facing Congress results from decisions made over the past two years to increase defense spending and reduce taxes. To reduce the deficit, they say, it will be necessary to cut federal spending on defense as well as nondefense programs and to raise taxes. "Unless current tax and spending policies are drastically altered," the economists warn, "the structural deficit"—the deficit that would remain if the economy were operating at a high level—"will increase from 2.5 percent of GNP in fiscal 1984 to an unprecedented 4.2 percent in 1988." Such a deficit, they add, "is unacceptable."

Because of tax cuts enacted in 1981 and the large buildup in national defense planned for future years, deficits will continue to grow even if the economy recovers, according to their analysis. The administration proposes to deal with this problem through tax increases and further cuts in nondefense spending. To bring the projected deficit down, President Reagan has proposed a budget program that would reduce the 1984 deficit by \$43 billion and the 1988 deficit by almost \$185 billion.

If the president's proposals are accepted by Congress, the structural deficit will fall to 0.7 percent of GNP in 1988. The authors say that, while this level is fiscally tolerable, changes in the political composition of Congress and in the state of the economy make it unlikely that the president will be as successful in securing acceptance of his program as he was during his first two years in office.



A reduction of the deficit can be achieved in a variety of ways, according to the authors. For example, if the full defense buildup sought by President Reagan were enacted, but none of his nondefense cuts other than the social security reforms, a tax increase of \$153 billion in 1988 would be needed to eliminate the structural deficit. In contrast, if Congress enacted a modified defense budget and accepted the president's proposed

nondefense cuts, no tax increase would be necessary to reduce the structural deficit to 1 percent of GNP.

A plausible outcome of the budget debate is that defense spending will continue to grow more rapidly than under the modified plan but less rapidly than the president wishes, and that Congress will accept only a few of the president's proposed cuts in nondefense spending. It would then be necessary to increase taxes by about \$100 billion in fiscal 1988 to eliminate the structural deficit and by about \$55 billion to reduce it to 1 percent of gross national product.

The 1984 budget and the budget options examined in *Setting National Priorities* place more emphasis than usual on reducing the deficit. Unless the structural deficit is reduced, the authors say, it will distort output and endanger economic recovery. When the economy is weak, as it is projected to be in the immediate future, demand generated by a federal deficit can be a source of strength. But as the economy moves toward high employment, government deficits present a serious problem. Government borrowing is a drain on private saving, diverting credit otherwise available for investment in plant and equipment, housing, consumer durables, and inventories. The deficits projected for the late 1980s will absorb most of the net private saving the economy is expected to generate.

Setting National Priorities: The 1984 Budget, Joseph A. Pechman, editor. May 1983. 248 pages, \$9.95 paper, \$26.95 cloth.

The authors outline the "serious, painful side effects" the unprecedented postwar deficits would have: "The heavy demand on credit will keep real interest rates high. High interest rates will reduce housing and automobile sales and will choke off investment by private businesses and state and local governments. The result will be a slowdown in the growth of productive capacity. Furthermore, high real interest rates will cause the price of the U.S. dollar in foreign markets to remain relatively high; as a result, foreigners will find U.S. goods dear and U.S. residents will find imports cheap. In short, the direct result of large federal budget deficits would be a high consumption-low investment economy that would tend to grow slowly, run persistent deficits in trade with other nations, and encounter industrial bottlenecks (because of low investment) before full employment of the labor force is reached." For these reasons, the authors say, "the way in which Congress deals with the 1984 budget is unusually important." It must not only resolve the ever-present trade-offs among outlays for various purposes but also come to grips with the serious imbalance between total federal spending and total receipts created by policies adopted in 1981 and 1982.

This year's edition of *Setting National Priorities* is the fourteenth in an annual series analyzing the president's budget and examining alternative policies. Other topics are the defense budget, social security, health, jobs and training, and tax policy. 

Interview: Robert V. Roosa

His long and distinguished career in the financial world makes Robert V. Roosa, chairman of Brookings' Board of Trustees, an expert observer of national and international monetary affairs.

Since 1965, he has been a partner in the private banking firm of Brown Brothers Harriman and Company. He is chairman of the New York Stock Exchange Advisory Committee on International Capital Markets, and a member of

the Advisory Committee of the International Finance Corporation.

Before joining Brown Brothers Harriman, he served as under secretary of the Treasury from 1961 to 1964. Prior to that, he was with the Federal Reserve Bank of New York for 15 years and was named vice president in 1956.

Roosa was interviewed by Public Affairs Director Peggy Rhoades last month.

Mr. Roosa, a number of economists and politicians are rejecting floating exchange rates and calling for a more stable system. Should there be another major reform in world monetary arrangements?

The people who call for major reform generally do not have a clue as to what could practicably be done; they are just yearning for stability. Some wish it were possible to go back to a gold standard, but that required a fixed price for gold. Setting and maintaining a fixed gold price in today's world would be much more difficult than trying to work toward agreed (but movable) ranges for the exchange rates of the currencies of a few key countries.

Bretton Woods came at a crucial time in world history when it was appropriate to be establishing new agencies and new facilities after the whole world had been totally uprooted by the war. But despite our worries about the present state of the world, there is no basis today for a major reform. What we need is fuller use of those Bretton Woods facilities which we still have, and of the arrangements made over the years to augment them.

To be sure, the idea of some greater stability in exchange rates is one we all share. The reason the world broke away from the fixed exchange rate aspect of Bretton Woods was that wide divergences emerged in the economic growth paths of the leading countries. As a result, it was impossible to maintain fixed exchange rates among them. On the other hand, the great advantage of that system—an advantage for which we may find some new sort of proxy if we work at it—was that it imposed discipline on the external borrowing or spending of individual countries. It nudged countries toward policies that could achieve viability in a reasonably harmonious way.

In my own view, we will sooner or later come to accept "target zones" (i.e., ranges for exchange rates that broadly reflect the price levels of various countries) for this same purpose. The aim then would be for countries to undertake corrective adjustments inter-

nally, and to reinforce those actions with joint intervention in the foreign exchange markets, whenever actual exchange rates have moved well outside the mutually recognized target zones.

Is this an idea that is gaining credence?

I think it will come, but only after a consensus forms in Japan, West Germany, and the United States that this is the best way to work toward exchange rate stability for the system as a whole. So far I see more support emerging in Japan than in Germany or the U.S. The Japanese have invented their own language in which they talk about "negative zones," concentrating on sectors where they are sure the rates should not be.

There is a view among some Japanese that, particularly if they had the cooperation of the U.S., they could begin pushing the yen upward through market intervention. And I have talked with Japanese officials over the past year about issuing their equivalent of Carter bonds, that is securities denominated in foreign currencies. It is a shame that the present U.S. administration has not been leading the way in these cooperative efforts. I am grateful that the Federal Reserve, at least within its limited scope, has exerted intellectual leadership toward cooperation.

Mr. Volcker suggested in April in Geneva that the U.S. should intervene when exchange rates are clearly out of line. Do you agree with this position on intervention?

Absolutely. He has also said that he does not think we could adopt a target zone strategy yet. Of course, if the pursuit of target zones is limited to central bank intervention to affect currency values, I would also be skeptical. The zones must be viewed as a means of focusing international attention on the composite economic programs of the major countries. Unless people recognize that it is the deeper forces of economic performance that determine long-run exchange rates, and that governments can affect those deeper forces, it would be frustrating to rely on intervention alone.

"The authorities sometimes have to use benchmarks to help the public understand what they are doing."

On the other hand, once the path toward basic equilibrium is reasonably clear, as countries (for example) respond to the implications of any agreed target zones, then intervention can help nudge exchange rates in that direction.

One of the points that brings up is policy coordination. To what extent is it practical to get closer coordination of monetary policies among major countries?



It is never going to be possible to get detailed coordination of monetary policies because the mechanics of the monetary systems of each country are significantly different. But there can be an aligning of objectives among countries. The word "harmonization" that we substituted for coordination when I was a Federal Reserve, and then a Treasury, official more than 20 years ago still serves well. There has to be a conscious effort to work toward programs that will have harmonious rather than divisive effects in the relations among the key countries.

Does that mean there need to be new institutions developed?

Well, people differ on this. My own feeling is no. A harmonizing of monetary and other policies is fundamentally dependent on whether the key countries themselves are prepared to try. If they are, then I think they will eventually work out something which would correspond to the target zone concept, something that would work as a partial discipline.

One recent institutional innovation has been economic summits—is there a constructive role that economic summits could play that they are not now playing?

Yes. There are all kinds of summits, but one could be a summit of the three countries that I have talked about. Every summit creates some problems because of the countries and leaders who are left out. But I think the prospect of harmonization of policies among these three key powers would be reasonably well

received. Once they have made some progress, other countries could be added. Just as Germany now is at the center of a cluster of other currencies, so this approach may end up with several clusters.

I would like to turn to the statement on economic policy that was drafted here at Brookings in April by six leading economists from Europe, Japan, and the United States (see page 32). They called for policies that would lead to a sustained recovery in the industrial countries. Would you comment on some of the conclusions that they reached?

Yes, I agree with them.

I particularly like their emphasis on trying to find ways of minimizing the dislocating impact on exchange rates and therefore on trade relations that has come from the movements of capital that override the normal influences which used to govern exchange rates. The current example is that high United States interest rates attract capital flows into dollar assets, creating trade problems attributed to the weak yen or the weak D-mark. In fact, the distortions in trade result mainly because the dollar is too strong. If the relatively high interest rates and strong dollar should last for too long, the effects can even distort the underlying capital structures that are the basis for trade.

Now that the overwhelming distorting influence of the oil price increases on the patterns of the world economy has subsided somewhat, the high U.S. interest rates have become the leading cause of uni-



versal concern. And underlying these rates is the governmental deficit of the United States. That deficit is absorbing in this fiscal year 80 to 90 percent of the net savings of the country. If we want to have a sustainable recovery in this country—and recovery in the advanced countries is crucial for the sake of everybody else in the world as well as ourselves—we're going to have to reduce the federal deficit's absorption of so much of our savings.

The six economists didn't go into detail on how to

deal with the federal deficit. We've already seen Congress make an effort to cut back on some of the traditional government expenditures which are a comparatively small part of the total. They have also made an effort now on the retirement part of the Social Security program. And there are other parts of what we call "entitlements" on which further work could be done. But the biggest area for action, apart from new taxes, is to find ways of cutting the projected growth in the defense budget.

Do you think it would help to bring together a group of former officials to think first about the mission of our defense forces, and then about what it takes to achieve that mission and take a look at the cost in relation to the economy?

Yes. As I have urged Judge Clark and Chairman Feldstein, that is our only chance of getting control over the total budget.

Could I turn to another recent development. In the Middle East the OPEC countries have swung from creditor to debtor status. What are the international financial consequences of the oil price drop and what has it done to the OPEC countries?

Well, the consequences go in every direction. Clearly, it helps relieve the balance of payments strains of the non-oil developing countries. For the OPEC countries, it means that as a group they now must begin slowing their development programs. Even Saudi Arabia is scaling back on what had been very ambitious programs. The change is in some ways almost as severe for the OPEC countries as it was for some other countries when the oil price went up. For example, Nigeria is already borrowing from the IMF and Indonesia will be there very soon. In the case of the less



affluent OPEC countries, assistance from the IMF and the World Bank is going to be important for resetting targets and realigning priorities that will give them a good chance to be viable again.

You mentioned the IMF. Do you think the IMF ought to borrow in its own name in the markets?

I think the Fund ought to have the authority to borrow in the market as an interim way of bridging gaps when they need resources between quota increases. This proposal was endorsed in a report of the

Group of Thirty that I signed. Not only is the Fund taking the lead in providing funds to about 27 countries (and it will be more before we're through), but it is also using the leverage of this lending to help countries adjust internal policies and provide an inducement for lending by private banks.

Owing to the real wrench that the world economy has been through because of the oil price change, the Fund also needs parallel support from the World Bank. There are now some 15 countries in which the Fund and Bank teams are working together. If it looks as though the IMF might become short of funds, then it loses the potential for helping debtor countries remain viable and in that way stabilize the world financial system.



You mentioned private banks. Given the extent to which U.S. financial institutions are exposed in loans to the less-developed countries, do you think there is a need for congressional action regarding banks?

I don't, because I think the regulators have become sufficiently aware of the problem to do what is needed. I think that the regulators in turn should be subject to the surveillance of Congress, as in all regulatory matters. But each of the LDC problems is too intricate to be handled in the kind of broad-scale way that legislation would imply.

I understand that you were a co-author of a recent study on East-West trade.

Yes. This was a study done for the Trilateral Commission for its meeting a year ago in Tokyo. When the *Herald Tribune* asked me for an update recently, my assistant and I set down some proposals that were not too badly received. We started with the proposition that there must be a limit on exports to the East of any product that is of direct military significance. Since the definition of that is difficult, we proposed that the COCOM (Coordinating Committee), which currently reviews sensitive exports on the basis of a gentlemen's agreement, should be based instead on a treaty among the NATO countries plus Japan. We also suggested that this treaty should provide for a permanent organization, including a staff of competent technicians.

Once this form of COCOM is in place, then all other trade should be freely allowed—except that there

should not be any subsidies through credit terms or in any other form. Our approach recognizes that it is impossible to think of bringing the Soviet Union to its knees with an economic embargo. Therefore the thing to do is to develop trade in ways that provide an optimum opportunity for the international division of labor.

The last thing I was going to ask you about was the Fed's monetary policy and high interest rates.

I don't blame high interest rates on the Federal Reserve, as such. My feeling is that in trying to gauge the way markets will respond during a period of high inflation, they had to resolve doubts on the side of

being restrictive. And, as in other issues that we've discussed, the authorities sometimes have to use benchmarks to help the public understand what they are doing. The Federal Reserve's benchmarks during the period after October 1979 were the monetary aggregates. Whatever interest rates resulted during the effort to control inflation were then viewed as an unavoidable byproduct—a price that had to be paid. In retrospect, it is unfortunate that interest rates had to go as high as they did. But the Fed was carrying a heavy load, alone. Maybe it could have been done better, but the risks of easing up too soon were very high. (B)

A Statement on Economic Policy

On April 23 and 24, 1983, we met at the Brookings Institution to consider the economic prospects facing the main industrial countries, the policies that offer hope of improving these prospects, and the wider implications of these policies for the world economy. Our conclusions are set forth in the statement that follows. We subscribe to these conclusions, although each of us would no doubt have suggested additional points and would have emphasized or phrased some parts of these conclusions differently.

We believe that the economic problems facing the industrial world are long-term and are structural; a sustained effort over a number of years will be required to remedy them. We hope that this report will contribute to such an effort.

Raymond Barre

Professor of economics and member of French National Assembly; prime minister of France 1976–81.

Alan Greenspan

Chairman of Townsend Greenspan; chairman of the U.S. Council of Economic Advisers 1974–77.

Manfred Lahnstein

Member of the Bundestag; finance minister 1982, Federal Republic of Germany.

Charles L. Schultze

Stanford University (on leave from Brookings); chairman of U.S. Council of Economic Advisers 1977–81.

Taroichi Yoshida

Industrial Bank of Japan; vice minister of finance for international affairs 1974–76.

Bunroku Yoshino

Adviser to Ministry of Foreign Affairs and Keidanren; deputy minister for foreign affairs 1974–77.

PROSPECTS FOR WORLD economic recovery and growth have improved in important respects during the past year.

Inflation has been substantially reduced except in a few of the principal industrial countries. Control of inflation is now recognized to be a central policy problem by virtually all members of the OECD (Organization for Economic Cooperation and Development). Lower oil prices are contributing to the decline in inflation, to a reduction of current account imbalances of oil-importing countries.

The United States is coming out of its prolonged recession. A moderate recovery seems to be under way and should extend into 1984, and there are signs of improved economic activity in some other countries.

This statement was prepared by a group of six eminent private citizens who have held high economic policy-making positions in the governments of Western Europe, Japan, and the United States. They met at Brookings under the chairmanship of President Bruce MacLaury. The institution gratefully acknowledges the assistance of the Alfred P. Sloan Foundation in this task.

The developing country debt crisis has been managed to date through an effective program of cooperation among governments, international institutions, and private lenders. Also, pressures for protectionism have been resisted, not altogether successfully but well enough to have preserved the principal elements of an open trading system.

There remain, however, formidable obstacles to a sustained and generalized recovery.

In the United States, large federal budget deficits that, under current laws, are built into the national fiscal structure create a climate of expectations about future inflation and short-term interest rates that have kept current long-term interest rates at historically high levels. Continued interest rates at or near these levels threaten to slow fixed investment and cut short the domestic recovery. By leading to over- and undervaluation of exchange rates in terms of tradable goods, they contribute to trade imbalances and erratic capital movements, and restrict the ability of other industrial nations to ease monetary policies in the interest of

faster growth. And they raise the risk that the international debt problem will prove to be unmanageable.

Widening fluctuations in exchange rates have introduced an additional element of instability in international economic relations.

Although the international debt problem has been kept under control, it has not yet been resolved. Deepening solvency problems, in the absence of a durable solution, could lead to a financial crisis that could disrupt international trade and choke off economic recovery.

Unemployment in the OECD countries has risen to postwar highs and, even with the recovery now in prospect, is not likely to decline in the near future.

The existence of large-scale unemployment, together with difficult sectoral adjustment problems, make trade protection a continuing threat to both short- and long-term economic growth.

Finally, real wages, particularly in Western Europe but also to a varying extent in other countries, have been raised and kept at levels that combine with other factors to reduce the profitability of firms and inhibit private sector investment and expansion, and therefore are detrimental to restoration of higher levels of employment.

Private company balance sheets in the United States and many other industrialized countries have moved over time toward increasingly high ratios of debt to equity, and of short-term to long-term debt. Banks, similarly, have tended toward ratios of capital to assets that are low in relation to the potential losses in today's volatile markets. These conditions represent structural weaknesses that leave private firms and national economies vulnerable to immediate shocks and to recessions, and reduce the ability of private sector institutions to respond, as they did in the past, to expansionary measures by governments.

Everywhere, in varying degrees, government budgets are in difficulty, most often because of rapidly rising expenditures. Social welfare programs already preempt a sizable share of public spending and will tend to grow with the aging of our populations. In the United States, defense expenditures are also rising rapidly. Structural deficits in some cases are excessively large. As a result, public confidence has been eroded, and room for needed public investment and tax relief to promote private investment often is undesirably restricted.

Policy Analysis and Recommendations

A sustained world economic recovery must begin in the United States. The United States continues to have a major impact on the world economy not only because its GNP and trade flows are the largest, but also because the U.S. dollar is used as a world currency, linking the world's capital markets. If the United States cannot solve its major economic problems, then it is difficult to see how a recovery can be sustained in the rest of the world.

The principal U.S. economic problem, as is widely recognized, is the large size of the U.S. budget deficit that will occur under existing laws, even under the

assumption of a sustained economic recovery. This prospective deficit is a key factor in explaining why U.S. long-term interest rates remain so high. The fear is that either the government deficit will be monetized, leading to renewed inflation, or that the Federal Reserve will have to force up interest rates, in either case causing a premature end to the recovery.

We believe that a substantial reduction in future U.S. budget deficits, under measures enacted into law this year, would bring major benefits not only for the United States but for the entire world economy. In the United States, long-term interest rates could be expected to decline and the Federal Reserve would be operating in an environment where it would have no reason to resist this decline. Not only would this reduction in U.S. interest rates help to sustain the recovery directly by encouraging private investment but, equally important, reduced interest rates would contribute to the restructuring of balance sheets, a restructuring that we believe is essential if stable economic growth is to be sustained over the longer run. Specifically, with lower long-term rates, business firms would find it easier to refinance short-term debts into longer term obligations. Lower interest rates would also be likely to lead to a further rise in the U.S. stock market, encouraging greater equity financing and thereby also contributing to a strengthening of balance sheets. And lower interest rates, through their effect on the pattern of exchange rates, would improve U.S. competitiveness, and reduce pressures for trade restrictions.

Lower U.S. interest rates would also benefit Europe and Japan because sustained growth in the United States would spill over into greater economic activity for them. Furthermore, the resulting pattern of exchange rates could help lower inflation rates in countries where currencies would then be appreciating, and thus provide room for measures to promote economic activity in a number of countries where that would then be appropriate.

Lower interest rates and sustained growth in OECD countries will be of major assistance to developing countries as well. An expansion of the world economy will lead to higher demand for LDC (less-developed country) exports, providing the only fundamental way of assuring the repayment of LDC debts. Furthermore, the prices of non-oil commodities which many developing countries rely upon for exports should reverse their two-year decline. In particular, lower U.S. interest rates would directly reduce the servicing burden of LDC debts. In turn, the improved position of the developing countries will reduce concerns about the possibility of a solvency crisis, and contribute to sustainable world expansion through growth rather than contraction in world trade.

Europe and Japan have an equal responsibility to maintain appropriate macro policies in response to a U.S. recovery and lower interest rates. The prescription differs, depending on the circumstances of individual countries. For countries such as France and Italy, where measures to restore price stability and to assure a sustainable balance of payments must be continued, the leeway provided by the recovery in the world economy should be used for these purposes. However,

for other European countries, such as the Federal Republic of Germany and the United Kingdom, where inflation and payments imbalances are less of a problem, the stimulus coming from a United States recovery and lower interest rates should not be offset by restrictive actions, but should be passed along fully. This latter prescription also applies to Japan. In addition, the mix of fiscal and monetary policies in Japan should be such as to permit an appreciation of the yen as the dollar declines. This policy would help to diminish the payments surplus of Japan that otherwise could become a major inducement for trade restrictions by other countries, a prospect that must be avoided.

Europe and Japan should also make use of their recoveries to correct their structural problems. In Europe this means that the recovery should be permitted to increase the profitability of firms, which will lead to greater investment and strengthened balance sheets. Indeed, this is the only solution to the unemployment problem consistent with sustained growth and price stability. Thus claims by workers and governments must be moderated to permit a rise in the profits share of national income. Also, governments must curb the expanding claims for social expenditures and focus fiscal resources on investment expenditures that have been squeezed by fiscal austerity.

Wider Implications

So far we have analyzed the prospects and problems facing the main industrial countries, and suggested policies to improve these prospects. These policies have wider implications for the world economy.

Developing countries. Sustained non-inflationary growth is the most important contribution that the industrial nations can make to the progress of developing countries. That contribution will be enhanced if industrial nations also take other concomitant steps:

(a) *IMF.* The increased resources for the International Monetary Fund which have been agreed upon are essential in order to assure continued successful management of the developing-country debt problem. IMF loans, linked to sound stabilization programs and to continued lending by the commercial banks, can provide the bridge to a resumption of orderly growth, and avoid a default which in any circumstance would impose unacceptable costs on the defaulter through the disruption of its external economic relations. While IMF programs provide essential bridging help, the long-run remedy for the debt problem lies in trade and in long-term private and public investment.

(b) *Trade.* The developing countries have become increasingly important trading partners of the industrial nations. Both sides' prosperity depends on this trade, which is the most important aspect of their economic intercourse. The industrial countries must hold open their markets to the exports of developing countries. As rapidly as their balance of payments permits, developing countries need to liberalize progressively their own often unduly restrictive import regimes.

(c) *Private investment.* Under most circumstances, the best way to transfer resources and skills to developing

countries is through private investment. Such investment has grown steadily and has proven mutually beneficial. The developing countries can contribute to its continuation by policies which create a congenial climate. The World Bank proposals for negotiations among industrial and developing countries looking to an agreed code of good conduct and some form of multilateral insurance against specified risks should be pursued vigorously.

(d) *Official development assistance.* Certain needs, notably for large infrastructure projects, are only likely to be met through long-term development aid. Unless this aid is increased in real terms, through the World Bank and otherwise, external resources will be lacking to achieve the growth required if the developing countries are to service their debts and play their full part in a healthy world economy.

Exchange rates. Apparent misalignments in exchange rates are not the result of technical defects in the exchange markets, much less of deliberate intent by the countries concerned. They reflect differing economic policies and prospects, which cause free markets to assign different and changing values to currencies. We do not believe it feasible to return to a system of fixed exchange rates in the present circumstances. Misalignments can only be corrected by changing underlying national economic policies. This is what we have proposed.

Even so, there may be occasional excessive fluctuations around main trend lines, caused by speculative fever or other unusual factors. In those cases, consultation and concerted intervention by central banks may be desirable. The difficulty of predicting these events, or even identifying them when they occur—that is, distinguishing them from foreign exchange movements that have deeper causes—suggest that rigid arrangements for handling them should be avoided.

Trade. Protectionist measures are no answer to the problems they purport to address. The policies proposed in this paper, as they take effect, should reduce the intensity of demands for supposed solutions through trade protection.

In the meantime, it will be essential to hold the line—to avoid any new protectionist steps, however disguised, or whatever their apparent justification and alleged temporary character. Such measures can only reduce levels of economic well-being and increase unemployment, as in the 1930s. Indeed, economic improvement should be the occasion to roll back protectionist actions that have already been taken. We believe the governments of the major industrial countries should explicitly pledge themselves to this end. Such a "trade pledge" successfully helped to ward off protectionist measures during the recent difficult years.

The industrial nations should continue efforts launched at the recent GATT (General Agreement on Tariffs and Trade) ministerial meeting to widen access to markets for both goods and services. Such an effort makes sense on its merits, and will generate a momentum that should strengthen anti-protectionist forces. But the only sure defense against these forces is sustained noninflationary growth. We believe that the policies outlined here will contribute toward achieving that growth. 

What role does government presently play in Japan's economy? How does Japanese business participate in setting national goals and priorities? Is economic planning in Japan operationally effective?

These and other questions on government-business interaction in Japan's political economy were examined in an experimental seminar sponsored by the Advanced Study program in Tokyo last March.

Designed to contribute to the career development of rising American executives, the seminar featured informal discussions with current and former Japanese officials, politicians, business leaders, and scholars. Fourteen American executives from varied businesses—steel, autos, energy, electronics, computers, banking, accounting—took part in the week-long program. Seven of the participants, responsible for regional operations, were resident in Japan at the time.

The Tokyo Seminar, the first of its kind for Brookings, had several useful results. It provided a non-confrontational forum for personal contact with knowledgeable Japanese; dispelled some misperceptions about Japan's decision-making system; and surfaced what appeared to be significant, perhaps growing,

tensions between international and domestic pressures on that system.

The week's discussions left some key impressions:

—Japanese society is more subject to pluralistic pressures and conflicts than is usually supposed.

—The Japanese government's ability to shape or guide the economy (however potent or disputed in the past) today is limited and waning. Business in Japan, growing in financial independence, is increasingly inclined to resist governmental "meddling" in business operations.

—Japan's government and business sectors do share elaborate consultative and information-exchange relationships which are conducive to participative decision making. But the outward appearance of consensus can also mask (from public and foreign view) internal disagreement and conflict. While business participates in the development of governmental "visions," plans, and guidances, these have utility as heuristic exercises rather than as enforceable blueprints for economic behavior.

—Forceful, at times defensive, Japanese expressions of concern with perceived internal problems (slower economic growth, loss of competi-

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tive power in basic materials industries, threats of growing import competition, a fall in consumer demand, a deteriorating urban infrastructure, a rapidly aging population, an urgent need to develop the scientific base for new high-technology industries) appeared to reflect a surprising degree of uncertainty, perhaps fear, regarding Japan's long-term ability to maintain its economic momentum and position.

Given Japan's tremendous dependence on the international economy, seminar participants were particularly struck by the extent to which domestic pressures dominate Japan's internal politics. Japanese decision makers with a broad view of global issues, the "internationalists," seemed to have a small voice in the body politic. An impression was left that political leaders vying for national recognition too often find it necessary to appear almost indifferent to the outside world.

These observations sparked a speculative question which the seminar left unanswered: Will the inward-looking impulse in Japan's political culture limit Japan's capacity for future growth as an international power with global responsibilities?—Peter Malof, senior staff member, Advanced Study program.

Kiichi Miyazawa, former foreign minister, director of the Economic Planning Agency, and chief cabinet secretary and now a member of Japan's House of Representatives, leads a discussion session. To his right are Brookings Senior Fellow Philip Trezise and Peter Malof, to his left Tadashi Yamamoto, director of the Japan Center for International Exchange, which assisted with program arrangements in Tokyo.



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